Here for New Zealand

Annual Report Pūrongo-a-tau 2020

Accident Compensation Corporation
Te Kaporeihana Āwhina Hunga Whara

Tō Tatou Tirohanga Whakamua

Ko tō tatou tirohanga whakamua, ko te whakawhanaketanga mai o tētahi hononga motuhake ki ia tangata o Aoteoroa, kia pai ake ai tō rātou noho, mā te whakaheke it e tūponotanga atu me te pānga atu o ngā wharanga.

Our Vision

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

Tātou Uara | Our Values

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

Hoamahi pai | Good partners

Ka manaakihia ngā hononga tata ki ō tātou hoamahi i te rāngai kaupare me te manaaki wharanga, waihoki, ko ngā hononga ki ngā ahurea rerekē me te hapori whānui.

We foster close relationships with our partners in injury prevention and care, as well as within cultural groups and the wider community.

Haumaru Aotearoa | Safe Kiwis

Ka whakaawe tātou i ngā tāngata o Aotearoa ki te noho haumaru, ki te mahi haumaru, ki te tākaro haumaru – e tutuki pai ai ngā mahinga katoa i te ao e nōhia ana e rātou.

We motivate New Zealanders to live, work and play safely, so they can lead full and active lives.

Ko te tangata i mua i te tukanga | People before process

Ka rongo tātou i ngā hiahia o te tinana me te ngākau o ia tangata, kia māmā ai te toro mai ki a tatou.

We are responsive to each person's physical and emotional needs, making it easy for people to engage with us.

Kaitiaki tōtika | Responsible stewards

Ka kohia, ka haumia tōtika ā tātou pūtea e ea ai ngā hiahia o ngā Kiwi o nāianei, o āpōpō hoki.

We gather and invest our income wisely to meet the needs of today's and tomorrow's Kiwis.

Mahi tōtika, ngākau tuwhera | Fair and open

Ka mahi tōtika tātou, ka pono hoki tātou ki ngā āhuatanga o ia tangata – ka whāia ngā whakatutukinga māmā i ngā wā e tika ana.

We are fair and transparent about a person's situation, applying common-sense solutions when called for.

Our purpose

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

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

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

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

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

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

Improving lives every day

Three words sit at the core of what we do: prevention, care and recovery.

But why we do what we do is just as important. And that is to improve lives every day. It is to put our customers first, showing them manaaki and supporting their wellbeing. It's to enable everyone in New Zealand to live freely and confidently, knowing that if they need us, we will be there.

We receive approximately two million claims each year. We show up in New Zealanders' lives in different, surprising, predictable, emotional, simple, complex and everyday ways.

It could be helping after a fall from a backyard swing set, or from a motorcycle. A mishap in the kitchen, whether home chef or professional. Or a more severe injury, supporting someone throughout their lifetime.

Or it could be a programme to help New Zealand farmers take better care of their wellbeing. An app that helps those over 65 to build their balance, strength and confidence. Or providing funding that helps children to learn about healthy relationships in the classroom, on the rugby field and in their daily lives.

Our purpose is greater than helping to pick people up when they're down. We also work to prevent injuries happening in the first place. But when they do happen, we'll be here.

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

Summary

Mai i te Minita

Nō te pānga kaha mai o te KOWHEORI-19 ki tō tātou whenua, i whakatika wawe a Te Kaporeihana Āwhina Hunga Whara (TKĀHW) kia rongo ai a ngāi Aotearoa i te haumaru, me te tautoko.

I takaahuareka te Kāwanatanga i te whakangao nui a TKĀHW ki te ao hangarau i ngā tau tata nei, nā tērā i āhei ai a TKĀHW ki te mahi haumi me te Manatū Hauora ki te whakarite ratonga ōwaea ki ngā ratonga maimoatanga. Nā tērā i hāngai ai te whai wāhitanga atu o ngā rata ki te maimoa i ngā tāngata whara o Aotearoa i ō rātou kāinga ake, nō te rāhuitanga ā-motu. Waihoki, i āhei ngā kaimahi o TKĀHW ki te mahi ā-mamao, kia haere tonu ai te maimoa me ngā āheinga mō te hunga me whai āwhinatanga.

Ko te tautoko i ngā pakihi iti tētehi atu aronga nui. Pērā me te whakamāmā, te tuku wā kē atu hoki ki ngā pakihi nui, me ngā pakihi iti, ki te utu tāke mā te whakatakaroa i ngā nama.

Nā te matapae ngākaurua ohaoha, i whakatau marika hoki te Kāwanatanga i te pane o Hūrae, kia mau tonu ngā rēti tāke mō ngā tau e rua e haere ake nei. I paingia nuitia tēnei e ngāi Aotearoa, inā hoki he whakamāmā tērā i ngā pēhanga ā-pūtea o te KOWHEORI-19, ka mutu he mahi whakataurangi tērā mō ngā pakihi.

I mua i te patunga mai o te KOWHEORI-19, i mōhio nuitia te aronga o TKĀHW hei whakawhirinakitanga mō Aotearoa, i te pikinga o te whakapono me te ngākau titikaha o te tūmatawhānui ki te Rautaki Kapeneihana ā-hauata.

He pai ake te āheinga o TKĀHW ki te mahi wawe, hei āwhina i te hunga whara me te hunga mōrearea mā te ngākau aroha me te manaaki. Ko te tautoko, me te whakahoki i te hunga whara ki te mahi me te motuhaketanga, kia tau, kia angitu, te mea e tūmanakotia tonutia ana e te Kāwanatanga mō TKĀHW.

E hiahia ana ahau ki te mihi ki ngā mahi a te Minita o mua o TKĀHW, ki a Hōnore Iain Lees-Galloway, i whakaū kia mātua aro nui ai a TKĀHW ki te whakataumata i a ngāi Aotearoa i āna mahi katoa; e hua mai ai he whakahaere pono, hou, kūwaha whānui hoki e whakapiki ana i te ora o ngāi Aotearoa katoa.

E whakarite ana a TKĀHW i ngā kōwhiringa maha, i ngā huarahi maha hoki, i tēnā o ngā wā o mua, mō ngāi Aotearoa kia whai wāhi atu ai ki ana ratonga, mā te matihiko anō hoki. Manohi anō, he whakahāngai ki te rautau rua tekau mā tahi nei, he whakahou hoki i tāna ratonga whakahaere kēhi, mā ngā aronga hou mā te hangarau anō hoki, e tiaki tonu ana hoki i tana kupenga ā-tari puta noa i Aotearoa whānui. E ū ana a TKĀHW ki te oati ā-hapori ki a ngāi Aotearoa.

He rongo pai ki te Kāwanatanga kia rongo, ko ngā kiritaki e noho ana i ngā rūma uiuinga o ngā tākuta, kua tuku kē i ā rātou kerēme, i mua kē i te wehenga i te whare. Koinei te taumata o te ratonga e whakaaro nei ngā Minita me tutuki i ngā umanga Kāwanatanga. Ko ngā tāngata e whakamahi ana i TKĀHW, ka takaahuareka i te aronga ā-kaikerēme kua whakatutuki i ēnei momo huanga.

He rawe ki te kite i te kokenga tūturu marika o TKĀHW nā te whakatinana i a Whāia Te Tika, tana rautaki Māori, waihoki te whakatūnga o te Pae Arataki Māori, te huarahi tahua mō te rongoā me ngā mahi Kaupapa Māori a TKĀHW. Ko TKĀHW, me te Minita Tuarua o TKĀHW, a Hōnore Willie Jackson, i whakatū hui i tae atu ai ngā ratonga Māori, me ngā whānau, ki te tūhura i ngā wero, me ngā kōwhiringa mō ngāi Māori me TKĀHW ki te mahi tahi.

He pērā anō taku takaahuareka i te mahi nui whakaharahara a te tīma haumi o TKĀHW. Me mīharo ka tika, i ngā wero o te KOWHEORI-19, me te hekenga o ngā rēti huamoni, he 7.6 ōrau te hokinga mai i te tau pūtea. Ka mutu pea tēnei whakatutukitanga.

Ko te hekenga o ngā rēti huamoni - tē taea nei e TKĀHW te whakahaere - tētehi wero nui. Pērā me te 2019, he tino pānga kaha ērā ki te kawenga o ngā kerēme tārewa, me te aha, ka pā kinotia te huanga ā-tau a TKĀHW. I whakaaro nui te Kāwanatanga ki ngā pānga mai o te hekenga rēti huamoni ki te Kaupapa, ka mutu ko tā mātou whakaarotau ko te arotake me te whakatinana i ngā panonitanga ki te kaupapa here tuku tahua a TKĀHW - nā wai rā ka pērā mātou. Ko te kaupapa-here-tuku-tahua hou, he whakamāmā i te hārakiraki ā-utu, me te whakaiti i ngā pānga tuku iho ki ngā kaiwhakaea tāke.

Ko te whāinga ōwehenga ā-tahua o mua a TKĀHW, o te 100%-110% mō ngā Kaute ā-Utu, he mea e hāngai kē ana ki tētehi kamupene tūmataiti. I whakahekengia e mātou taua whāinga ki te 100%, ka mutu he hāngai, inā hoki he tūranga motuhake tō TKĀHW hei ratonga tūtahi, hei kaupapa inihua ā-hapori tautoko nā te Kāwanatanga.

Ahakoa kua pā kaha te hekenga tonutanga o ngā rēti ā-moni whakaranea ki ngā ōwehenga tahua o ngā kaute a TKĀHW, kua oati te Kaporeihana ki te Kāwanatanga, kua rahi ngā pūtea ki te tautoko i te hunga kua whara.

I tēnei tau, i takaahuareka te Kāwanatanga ki te aro atu ki te wehenga e kitea nei i te Kaute Whiwhi-Kore, mai i 2014. E aro ana taua kaute ki ngā utu mō ngā wharanga, o te hunga kāore i te whiwhi, i te whakaea rānei i ngā tāke, pērā i ngā tamariki, i ngā tauira, i te hunga rītaia, i ngā manuhiri hoki ki Aotearoa.

I whakapikihia e mātou te tahua, me tētehi haumi $285 miriona i te Tahua 2020, ka mutu e neke ana mātou i te aronga o te Kaute Whiwhi-kore ki tētehi whakaritenga matapae e kaha ake ai te whakaukanga, ā, haere ake nei. Ko te whakangao i taua kaute, he whakangao i tō tātou anamata, ka mutu ko tēnei tahua he whakaū kia haere tonu a TKĀHW ki te whakatutuki i ngā utu o ngā kerēme o ngā whara kua puta kē mai.

Hei whakaotinga atu, ko tāku he mihi ki a Kahurangi Paula me te Poari o TKĀHW, me te Rāngai Whakahaere, me ngā kaimahi, mō ā rātou mahi i ia rā. Inā koa, ko te kaupapa ā-motu e aro ana ki te whakapiki, me te tautoko i te mahi haumaru, me te tiaki te hunga whara, me te tautoko i a rātou i tō rātou whakamāuitanga, he mea nui ki te whakapiki i te kounga o te ora, me te toiora o ngāi Aotearoa.

Nāku noa
Hon Carmel Sepuloni
Te Minita Mō Te Kaporeihana
Āwahina Hunga Whara

From the Minister

As COVID-19 affected our country, ACC took early action to make New Zealanders feel safe and supported.

The Government was pleased that ACC's significant investment in technology in recent years meant ACC was able to partner with the Ministry of Health in rolling out telehealth services (telephone and video consultations) to treatment providers. This gave general practitioners (GPs) direct access to treat injured New Zealanders in their own homes during the nationwide lockdown. It also allowed ACC staff to work remotely, providing continuity of care and entitlements to those who required assistance.

Supporting businesses was also an important focus. This included giving firms and small businesses more time and flexibility in making their levy payments by delaying invoices.

Due to the uncertain economic outlook, the Government also made the prudent and practical decision in early July to maintain levy rates for the next two years. This was well received by New Zealanders as it helped ease the financial pressures of COVID-19 and provided certainty for businesses.

Even before COVID-19 struck, ACC's focus on being here for New Zealand was evident in the increasing levels of trust and confidence the public had in our accident insurance scheme (the Scheme).

ACC now has a better ability to act quickly, helping the injured and most vulnerable with compassion and care. Supporting and returning the injured to work and independence efficiently and effectively is what the Government wants to continue to see from ACC.

I would like to acknowledge the work of the previous Minister for ACC, Hon Iain Lees-Galloway, who ensured ACC was focused on putting New Zealanders at the centre of everything it does, and creating a more transparent, modern and accessible organisation that improves the wellbeing of New Zealanders.

ACC is providing more options and channels than ever before for New Zealanders to access its services, including digitally. At the same time, while adapting to the 21st century and upgrading its case management service with new approaches and technology, it is maintaining its branch network across New Zealand. ACC is keeping true to the social contract it has with New Zealanders.

It was good news for the Government to hear that clients sitting in GPs' consulting rooms had, before they left the buildings, their ACC claims filed. This is the high standard of service Ministers expect from government agencies. People accessing ACC can be pleased with the new client-centred approach that has been delivering these sorts of results.

It is great to see the real and tangible progress ACC is making in implementing Whāia Te Tika, its Māori strategy, including the establishment of a Māori Customer Advisory Panel, the funding pathway for rongoā, and a kaupapa Māori commissioning programme of work. ACC, with the support of the Associate Minister for ACC, Hon Willie Jackson, held a hui attended by Māori providers and whānau to explore the challenges and opportunities for Māori and ACC in working together.

I'm similarly pleased with the exceptional performance of the ACC investment team. It is no less than remarkable that, with the challenges of COVID-19 and falling interest rates, it managed a 7.6% return for the financial year. This is an outstanding result.

Falling interest rates – outside ACC's control – proved challenging. Similarly to 2019, they had a significant impact on the outstanding claims liability (OCL), negatively affecting ACC's annual result. The Government was mindful of the effects of the interest rate fall on the Scheme, and our priority was to review and implement changes to the ACC funding policy – which we did. The new funding policy aims to smooth out levy volatility and minimise intergenerational impacts on levy payers.

ACC's previous funding ratio target range of 100%-110% for the levied Accounts (the Motor Vehicle, Earners' and Work Accounts) was more suited to that of a private insurance company. We lowered this target to 100%, which is appropriate given ACC's unique position as a mandatory, sole provider and Government-supported social insurance scheme.

While the continued fall in interest rates has affected the funding ratios of the ACC Accounts, the Corporation has assured the Government it has enough funds to support those who are injured.

This year the Government was pleased to be able to start addressing the funding gap that has existed in the Non-Earners' Account since 2014. This Account covers injury costs for those who are not earning and paying levies, including children, students, retirees and visitors to New Zealand.

We increased the funding with an investment of $285 million in the 2020 Budget, and we are moving the Non-Earners' Account appropriation to a forecast adjustment that will strengthen its sustainability into the future. Investment in this Account is an investment in our future, and this funding will ensure ACC can continue to meet the costs of claims for injuries that have already occurred.

Finally, I would like to thank Dame Paula Rebstock and the ACC Board, the Executive and staff for the work they do every day. Having a nationwide organisation focused on encouraging and supporting safety and caring for the injured and assisting them in their recovery, goes a long way to improving the quality of life and wellbeing of New Zealanders.

Hon Carmel Sepuloni
Minister for ACC

Mai i te Poari

KEWHEORI-19: Te aro pū ki a ngāi Kiwi

He pānga kaha tō te mate urutā KOWHEORI-19 ki ngā huanga mahi ā-pūtea, ki ngā huanga mahi noa nei a TKĀHW i 2019/20. Waihoki ko ngā rahinga o ngā kerēme, te mahi whakamātūtūtanga, te moni whiwhi ā-tāke, ā-nama, ngā TIKANGA, ngā whakahokinga whakangao, me te wāriutanga o ngā herenga kerēme tārewa (HKT). Ahakoa rā ēnei wero, ka mutu nā te rautaki whakangao nei a TKĀHW ki te whakapakari ake i te hangarau, i ngā tukanga hoki i ngā tau tata nei, i āhei ai te kaporeihana tētehi taumata ratonga teitei nei te whakaū ki a ngāi Aotearoa, nō te rāhui ā-motu. I kitea tēnei i te whakapono me te māia ā-tūmatawhānui ki TKĀHW ki ngā paerewa mutunga mai nei o te pai.

I aronui TKĀHW ki te mea hihira ki ā mātou kiritaki. I mahi tahi me ngā rata me ngā mātanga hauora ki te whakarite ratonga ōwaea ki ngā kiritaki; i whakatārewa i ngā nama tāke me te kohi nama, e wātea ai ngā pakihi ki te aro pū ki ā rātou pakihi; i whakarite kōrero arataki ārai whara hāngai ki ngā whānau kia haumaru ai i ō rātou poihau. Waihoki, nō te rongotanga o ngā mākete o te ao i te pānga kaha o KOWHEORI-19, i mahi rā te tīma whakangao, pau te kaha ki te whakarite i ngā whakahokinga nui hei whakamāmā i ngā utu e whakaea nei a ngāi Aotearoa i ngā utu mō te inihua whara.

Te hekenga o ngā rēti huamoni

I te koringa o ngā mākete ahumoni i te KOWHEORI-19, i taka ngā rēti huamoni, me te aha, i whakapiki nui tēnei i tā mātou wāriutanga i te HKT. Ko tēnei, tae atu ki ngā rēti tāmi ahumoni, he pānga ki te $5.7 piriona o tā mātou toenga takarepa $5.9 piriona mō te tau i mutu ai i te 30 Hune 2020.

Ko ēnei āhuatanga o te otinga, he mea tē taea e TKĀHW te whakahaere. He tino hūkokikoki te rautaki ki ngā rerekētanga i ngā rēti huamoni - pērā me ētehi atu kaupapa whakaea whara o te ao, kamupene inihua, me ngā tahua pēnihana, e noho nei ngā herenga mau roa. Pērā me 2018/19, he pānga kaha nui tō ngā hekenga rēti huamoni ki ngā ōwehenga tahua o ā TKĀHW NAMA me ngā utu anamata o ngā kerēme whara , ā, moroki noa ki tā mātou

KO TE POARI O TE KĀHUI ĀWHINA HUNGA WHARA (MAI I TE MAUĪ KI TE KATAU)
John Brabazon, Leona Murphy, Dr Tracey Batten, James Miller (Temporary Deputy Chair), Dame Paula Rebstock DNZM (Chair), Anita Mazzoleni, David May, Kristy McDonald ONZM QC.

ripanga kaute. Mātua rā, ehara tēnei takarepa i te moni ngaro; he mea tatau, he arotakenga hou tūturu o ngā utu anamata o ngā kerēme i ā mātou pukapuka. I taua wā anō rā, i tuhia rā e mātou he toenga pūtea whakahaere, i whakahokia atu ai ki te kaupapa hei whakaea i ngā utu anamata o ngā whara. Kia ngākau titikaha a ngāi Aotearoa, e kore te toenga takarepa e pā kaha ki tō mātou āheinga ki te whakaea i te whakaora whara, ki te whakamātūtūtanga, me ngā utu kapeneihana.

Ngā whakahokinga whakangao whakamīharo

I whakahokia mai e te tīma whakangao te 7.6%, ki tua atu i tōna paeraro. I whakatupu tēnei whakahokinga te $3.4 piriona o te whiwhinga pūtea - $1.8 piriona te pikinga atu i tēnā i maheretia ai. Arā anō tētehi mahi mutunga mai o te pai, nā tētehi tīma rei puta kounga nui, kua eke noa atu i ngā paeraro i ngā tau 26 o ngā tau 28 ka mahue nei. Ko te angitu toitū o te tīma whakangao he whakaū kia whakauka ā-pūtea mō ngā whakareanga e haere ake nei, me te tautoko i ngā whāinga tauritetanga tuku iho o te kaupapa. Ko tōna 60 ōrau o te kōpaki whakangao $46.7 piriona ka whakangaotia ki ngā haumi taurewa me ngā āhuatanga huamoni whakaita. Ahakoa i whai hua rā mātou i te hekenga o ngā whiwhinga haumi taurewa, e paretūraru iti nei ki te pānga kaha o te hekenga o ngā rēti huamoni; e whakapaetia ana ko ngā rēti huamoni iti iho nei hei ngā tau e haere nei ka hānagi ki ngā whakahokinga iti ake e puta mai te pēhanga tāke.

Te anganui ki te herenga me ngā utu

He tawhā tā mātou me kati, i waenganui i ā mātou rawa me ā mātou herenga, heoi anō, hei kaupapa e titiro atu ana kia 100 tau i te anamata, he nui ō mātou tau ki te whakakapi i tērā me te aro ake ki te matuarua hau poto. He wawe rawa kia kī marika nei he aha rawa ngā pānga mai o te takarepa me te taiao rēti huamoni-iti moroki ki ngā rēti tāke.

Ko te kaupapa here ā-tahua hohou, i pānuitia ai e te Minita i Hūrae 2020, ka whakamana i TKĀHW ki te whakapaipai i ngā utu i te pae roa e whakaū nei kia kore ai ngā kaiutu tāke o te rā e ōwehe rawa atu te utu i ēnei wā nei, i te pānga o ngā rēti huamoni ki te tupuranga o ā mātou herenga ā-kerēme.

Kia aro atu ki ngā pēhanga utu ki te kaupapa, ka aro tonu te Poari me te taha whakahaere ki te whakapakari mahi i runga i tērā ka taea e TKĀHW te whakahaere. Tae atu ki te whakakore whara tōtika hei whakaiti ake i te auau me te taikaha o ngā kerēme, te whakahaere matawhāiti nei i te utu o ngā kerēme, te kapeneihana ā-wiki, me te whakapau moni wāhanga hauora, te whakamātūtūtanga momoho me te hauhake ake i ngā tino hua o te whakangao $500 miriona ki te panonitanga ā-whakahaere.

Te panonitanga āhuarangi me te THW

I tēnei tau, i koke pai TKĀHW kia aro ki ngā āhuatanga taiao, hapori, whakahaere hoki me te whakauru i ērā ki tā mātou pakihi. I Hune, i whakaaetia ai e te poari tētehi anga kaupapa here panonitanga āhuarangi, e aro atu nei ki ngā āhienga ranagtōpū, whakangao hoki o te pakihi. Ko tā TKĀUW whāinga, kia hihiko ki te arataki i te ngākaunui o Aotearoa kia taukore ngā tukunga kino ā 2050, tae atu hoki ki te tautoko i ngā whakapaunga kaha ki te whakaiti i te pikinga pāmahana taurite kia iti i te 1.5°C te pikinga atu i ngā taumata o mua o te ahumahi.

Ka tapahia e TKĀHW ngā tukunga rangatōpū, ka tango hauhā hoki i te kōpaki taurite whakangao e hāngai ana ki te whāinga o Te Ture Menemana Urupare (Hauhā Kore) Panonitanga Āhuarangi i whakamanahia ai i tērā tau. He teitei ngā whāinga, ka mutu, me tino whakarerekē i te ngahurutanga e haere ake nei. E āpiti atu ana te anga ki tā TKĀHW kaupapa here whakangao matatika, pūmau.

I tēnei tau, i whakatūngia ai e te tīma whakangao mākete matawhāiti, tētehi kōpaki pānga kaha $50 miriona nei, e whakatōpū nei i tō TKĀHW tūranga i te ārai whara , i te hauora hoki me te mahi haumaru, tae atu ki te whai pūkenga i te whakahaere whakangao. Ko te whāinga o te kōpaki ko te whakangao i ngā kamupene me ngā tahua e hāngai ana ki tā TKĀHW whāinga o te whakaiti whara, e puta nei he whakahokinga arumoni, ka mutu ka pānga mārie mai te HKT.

I 2019/20, i whakapikihia e mātou tā mātou whakangao ki ngā kaupapa ārai whara ki te $102 miriona. Koinei tā mātou whakangao nui rawa atu, ā mohoa noa nei, ka mutu i puta ai he whakaititanga utu kerēme anamata, ki tōna $1.80 mō ia tāra i whakangaotia ai e mātou.

Nā
Kahurangi Paula Rebstock DNZM
Heamana Poari

Nā
James Miller
Heamana Tuarua Taupua

From the Board

COVID-19: focus on Kiwis

The COVID-19 pandemic had a significant impact on ACC's financial and non-financial performance results in 2019/20. These included the results for claim volumes and costs, rehabilitation performance, levy revenue and debt, efficiency measures, investment returns and the valuation of our OCL.

Despite these challenges, and because of the strategic investment ACC has made in improving technology and processes in recent years, the corporation was able to maintain a high level of service to New Zealanders during the nationwide lockdown. This was reflected in public trust and confidence in ACC increasing to record levels.

ACC focused on what was important to our customers. We worked with doctors and other health professionals in providing telehealth services to clients; deferred levy invoicing and debt collection, giving businesses breathing space to concentrate on their businesses; and provided practical injury prevention advice to families on staying safe in their home bubbles. And as global markets felt the impacts of COVID-19, our investment team worked hard to secure strong returns to offset the costs New Zealanders pay in levies for accident insurance.

Falling interest rates

As financial markets reacted to COVID-19, interest rates fell and this significantly increased the valuation of our OCL. This, along with changes in inflation rates, contributed $5.7 billion to our net deficit of $5.9 billion for the year ending 30 June 2020.

These elements of the result were outside ACC's control. The Scheme is highly sensitive to changes in interest rates – as are other global accident compensation organisations, insurance companies and pension funds that have long-term liabilities. Just as it was in 2018/19, falling interest rates had a significant impact on the funding ratios of ACC's Accounts and the future costs of existing injury claims on our balance sheet.

Importantly, this deficit is not a cash loss; it is an accounting or actuarial revaluation of the future cost of claims on our books. In the same period we recorded a $414 million cash operating surplus, which was reinvested into the Scheme to pay for future costs of injuries. New Zealanders can be assured the net deficit will not affect our ability to cover injury treatment, rehabilitation and compensation costs today.

ACC BOARD (FROM LEFT TO RIGHT)
John Brabazon, Leona Murphy, Dr Tracey Batten, James Miller (Temporary Deputy Chair), Dame Paula Rebstock DNZM (Chair), Anita Mazzoleni, David May, Kristy McDonald ONZM QC.

Impressive investment returns

The investment team returned 7.6%, exceeding its benchmark. This return generated $3.4 billion of income – $1.8 billion higher than budgeted. It was another exceptional performance by a proven world-class team that has exceeded benchmarks in 26 of the past 28 years.

The sustained success of the investment team ensures the Scheme's financial sustainability for future generations and supports the intergenerational equity goals of the Scheme.

Approximately 60% of the $46.7 billion investment portfolio is invested in bonds and fixed-interest instruments. While this year we benefited from a decline in bond yields providing a partial hedge against the impact of the declining interest rates, it is expected that lower interest rates in coming years will lead to lower returns, causing levy pressure.

Addressing liabilities and costs

We have a gap to close between our assets and our liabilities but, with a scheme that looks 100 years into the future, ACC does have many years to close it and address any short-term volatility. It is too early to say exactly what implications the deficit and ongoing low-interest-rate environment will have for future levy rates. Indications remain that increases are likely to be recommended to cover future costs and reduce the liability.

The updated Government funding policy announced by the ACC Minister in July 2020 enables ACC to smooth out costs over a long horizon, ensuring levy payers today don't pay proportionately more during periods when interest rates have contributed to the growth in our claims liability.

To address cost pressures on the Scheme, the Board and management remain focused on making performance improvements in areas over which ACC has some control. These include effective injury prevention to reduce the incidence and severity of claims, the prudent cost management of claims, weekly compensation and health sector spending, successful rehabilitation, and harvesting the full benefits of the $500 million investment in the organisational transformation.

Climate change and environmental, social and governance factors

This year ACC made significant steps in addressing environmental, social and governance factors and integrating them with our business.

In June the Board approved a climate change policy framework covering the corporate and investment functions of the business. ACC's aim is to be proactive in leading New Zealand's commitment to net zero emissions by 2050, including supporting efforts to limit the average temperature rise to less than 1.5°C above pre-industrial levels.

ACC will cut corporate emissions and decarbonise the investment equities portfolio in line with the intent of the Climate Change Response (Zero Carbon) Amendment Act passed last year. The targets are ambitious and will require some significant changes in the next decade. The framework builds on ACC's long-standing ethical investment policy.

This year the Investment's private markets team established a new $50 million impact portfolio, combining ACC's established role in injury prevention and health and safety with expertise in investment management. The aim of the portfolio is to invest in companies and funds that align with ACC's purpose of reducing injuries, that provide a commercial return, and that have positive impacts on the OCL.

In 2019/20, we increased our investment in injury prevention initiatives to $102 million. This was our highest investment to date and delivered an estimated future claims' cost reduction of $1.80 for every dollar we invested.

Finally, the Board is extremely grateful for the professionalism and commitment ACC staff demonstrated during the year. We would like to thank Scott Pickering and his Executive team for their exceptional leadership in trying times.

ACC's staff are its greatest strength. The challenges associated with COVID-19 and the eruption on Whakaari/White Island were handled with remarkable resolve and care. The sense of public duty to put the needs of New Zealanders – our customers – first was truly admirable.

Dame Paula Rebstock DNZM

Dame Paula Rebstock DNZM
Board Chair

James Miller
Temporary Deputy Chair

Mai i te Tumu Whakarae

Ko ngā tāngata te mātāmua, ko te tukanga te mātāmuri, tētehi o ō mātou tino mātāpono i tō mātou kaupapa. I te 2019/20 i whakatauiratia e ō mātou tāngata tēnei āhuatanga, mā te manaaki, mā te ngākaunui me te atawhai ki a ngāi Aotearoa i te rāhui ā-motu KOWHEORI-19.

He wā whakamātautau tērā, heoi anō, mārama ana tō mātou aronga: me whakaū ka tika, kia taea tonutia e ō mātou tāngata te tuku ratonga kounga ki ngā kiritaki whara, ki ngā ratonga taurima me ngā pakihi.

Te manaaki i te wā o te rāhui

ko tōna 4000 kaimahi i a mātou e mahi ana i te kāinga i roto i te wiki o te rāhui. Kāore he taupā o te mahi ā-mamao. I taua wā rā, ko te 94 ōrau o ngā tono mōhiohio a ngā kiritaki, i uruparetia ai i roto i ngā haora 24.

I āwhinatia nuitia mātou e tā mātou i whakarite ai, i tā mātou whakangao panonitanga, i ngā tau e rima ka huri. Puta noa i te pakihi, i wawe tā mātou whakahāngai, ka mutu i whakarite whakarerekētanga, e whakamahi nei i ā mātou taputapu hou, hangarau hou hoki. I ngā wāhi me pērā, i whakahoutia ai ā mātou tukanga e kore ai te tuku ratonga mō ā mātou kiritaki e heke. I whakaūngia e mātou kia aro pū ki ngā kiritaki, tae atu ki ngā mea whakaraerae, ka mutu i te whiwhi i ō rātou āheinga katoa me te manaaki.

I whakaritea e mātou te ōwaea hei āwhina i ngā momo ratonga 29 nei, pērā i ngā tākuta me ngā kairomiromi, i tuku kōrero i ia rā ki ngā ratonga 27,000, i whakarite utu tōmua mō ētehi ratonga, i tuku utauta haumaru matawhaiaro ki ngā ratonga whakakore whara, i utu hoki i te 90% o ngā nama i roto i ngā rā e rima o te rihīti.

I tahuri mai hoki ngā pakihi e nonoke ana ki TKĀHW mō te tautoko me te mōhiohio. I whakatārewa mātou i ngā mahi nama, me te kohi, nama me te titiro anō ki ētehi atu huarahi e taea ai e mātou te āwhina i a rātou. Nō taua wā hoki, i kitea ai te pikinga 200 ōrau nei o te TakuKĀHW, e āhei ai te whakahaere ā-whaiaro i ngā kaute me ngā keremē whai pānga mahi, i te ipurangi.

Kua kō atu ā mātou pakihi 490,000 e tautokongia ana mā tēnei huarahi matihiko.

I pāngia katoa tātou e te rāhui. Waihoki, i kitea e mātou te pānga kaha ki ngā whānau me ngā hoa. Ka nui taku poho kererū i te whakatikahanga o te whakahaerenga, mā te āta kuhu ki ngā āhuatanga o ō matou hoa o Aotearoa, me te aro ki ngā mea nui ki a rātou.

Ngā whakamātautautanga ki te mahi

I mua i te patunga mai o KOWHEORI-19, i te huarahi kē a TKĀHW ki te whakatutuki haere i tētehi tatauranga nui o ngā kerēme. Nō te rāhui, i heke nui ai te rahinga o ngā kerēme, kia 50 ōrau i ngā Kaute - heoi anō, i pai anō i te hikinga o ngā herenga. He mea nui kia mōhiotia, ko te 65 ōrau o ngā utu e uta atu nei mātou i te tau, e whai pānga ana ki ngā kerēme o ngā tau ka huri. Ko te whakaiti i te nui o ngā kēreme, te whakapai ake i te whakamāuitanga, me ngā huanga hoki-ki-te-mahi ngā tino whāinga a whakahaeretanga i te tau kei mua tonu i te aroaro. Ko te pānga kaha mai o ngā rēti huamoni iti ki ngā Herenga Kerēme Tārewa, ahakoa kāore mātou e āhei te whakahaere, ka tino kitea te matainaina kia hikitia e TKĀHW te pae o tērā e āhei nei mātou te whakahaere.

Kia whai hua

ko te mea i tino whai hua ai, i tino pai ai tā mātou mahi nō te rāhuitanga, ko te whakangao i ō mātou tāngata, i ā mātou tukanga, me te hangarau. I tēnei tau i whakatinanatia tonutia ai e mātou te hangarau hei whakapai ake i ngā huanga kiritaki, whai wheako hoki i raro i te Kōpaki Whakangao Whakahuri Whaitahitanga (KWWW).

Tae atu ki tētehi papa tātarihanga pakihi, me tētehi papa utu kiritaki hou ake, pai ake, e utu nei i ngā iwi i te rā tonu o te whakawhiwhinga, me TakuKĀHW mō ngā Kiritaki. Ko tā TakuKĀHW mō ngā Kiritaki he whakaahei i ngā kiritaki whara kia taea ai e rātou ngā pūrere heri ki te tāpui, me te whai wāhi ki ngā ratonga a TKĀHW pērā i ngā tekihi. Kō atu i ngā kiritaki 30,000 kei te whakahaere i ā rātou kerēme mā te matihiko. He pai tēnei me te hora putuputu i te tukunga whānui o te Whakahaere Kēhi Hou (WKH) ki te motu, e whakakore ana i te aronga whānui takitahi mō te katoa. E aro pū ana ki ngā hiahia e rite tonu nei te tīni, o ngā kiritakitahi whara. I pōturi haere te tukunga o tā mātou WKH i te tīmatanga o te KOWHEORI-19, heoi anō, kāore i tū. Hei te mutunga o Hepetema, kua eke ki tōna kaha, kotahi marama anahe te takamuri nā ngā pānga kaha mai o KOWHEORI-19.

Kua āwhinatia e te tauira hou ngā kiritaki 30,000 kia hoki ki te mahi, ki te motuhaketanga rānei, ka mutu, e tautoko ana i ngā kiritaki 50,000 kō atu i tō rātou huarahi whakapiki ora.

Kō atu i ngā whakahokinga kōrero kiritaki 6,000 kua whiwhi rā mātou mai i Akuhata 2019, me te manawa reka whānui 74% nei. Tāpiri ana ki tērā, i tutuki i a mātou te whakapono kiritaki whara +31 - kua piki i te +24 o tērā tau.

Te Titiro ki te Anamata

I te Pepuere i pānuitia e mātou ko Tainui Group Holdings (TGH) kua haina mātou i tētehi whakataunga ki te whakatū i tētehi wāhi ki waenga taone ki Kirikiriroa, hei kāinga hou mō ngā kaimahi 650 o TKĀHW ki te taone.

He pokapū pakihi hihira a Kirikiriroa mō ngā whakahaerenga a TKĀHW ki te motu, ka mutu ko tā te whakawhaketanga he whakarite taiao hou ake, haumaru, māmā nei te uru mō ō tātou iwi me ngā kiritaki. He whakakotahi i ngā wāhi kua tū ki Waikato, ki tētehi wāhi i te pokapū o te taone.

Ko te whakawhanaketanga hou, me tutuki ā te 22 o Oketopa, ka hangaia ki ngā paerewa rū, ki ngā paerewa taiao haumaru hoki, ka mutu e hāngai ana ki tā mātou anga ā-kaupapa here panonitanga āhuarangi ki te whakaiti ake i ā mātou tukunga kino.

Te āwhina i a ngāi Kiwi

Inā hoki he 40 ōrau o ngāi Aotearoa kei te kūware tonu ki ngā ratonga e tukua nei e TKĀHW, i tīmata rā tā mātou kōkiritanga whakamārama tūmatanui, i toro atu ai ki ngā miriona o ngāi Aotearoa. I taea e te tīma tō mātou aronga te whakahāngai i te rāhui, ki te tuku karere ārai whara nō te iwi i te kāinga.

I tēnei tau kō atu i te 100 kaupapa i whakahaeretia ai e mātou ki te whakaiti ake i ngā whara, me te aha, i eke noa atu i tā mātou whāinga mahi. Hei wāhanga ki tēnei, i tāparatia e mātou tā mātou whakangao takirua me Mahi Haumaru Aotearoa ki te te $30 miriona. Ko te whāinga, kia arohia ngā whara nui te utu, me ngā whara nui te rahinga, i te ahuwhenua, i te waihanga, i te mahi ngahere me te whakanao.

Whāia te Tika.

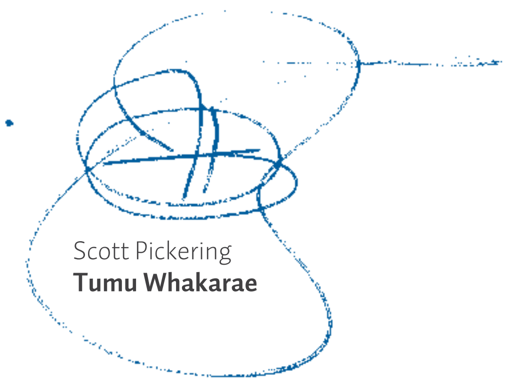
I haere tonu tō mātou kokenga tonutanga ki te whakatinana i a Whāia te Tika, tā mātou rautaki Māori, ki te whakapai ake i te urunga ki te kaupapa, tae atu ki ngā huanga, me te wheako TKĀHW.

Tāpiri mai ana ki tā mātou hui ā-motu, i whakatakotongia ai e mātou ētehi kōrero arataki hei whakamārama i te huarahi ā-tahua o te whakamātūtūtanga mō te rongoā, i whakatūngia he Pae Arataki Kiritaki Māori, i whakatūngia hoki he hōtaka whakamana Kaupapa Māori ki te whakatika i ngā hēnga matatika i te whai wāhitanga me ngā huanga mō ngā kiritaki Māori. I tutuki hoki i a mātou tētehi tauira ratonga whānau ora te whakamātautau, mā roto i tētehi ratonga tautoko hauātanga noho kāinga.

He kaupapa mīharo

Hei whakamutunga iho, he mea nui te whakamihi ki ngā mahi mutunga mai nei o te pai i mahia ai e ō mātou tāngata - ka mutu e mahia tonutia nei - ki te tautoko i te hunga i whara marika i te hūnga o Whakaari, i Tīhema 2019.

He tokomaha ēnei kiritaki me whai āwhinatanga moroki i a mātou mō ngā tau tini. He mea nui kia whakarite whanaungatanga taketake, ngākau pono hoki ki a rātou. Koinei te painga o te kounga o ō mātou tāngata, me tā mātou kaupapa: kei konei mātou mō ā mātou kiritaki i te wā e matainaina rātou ki a mātou, i ia pikinga i o tō rātou whakamātūtūtanga. Ka taea noatia e ngā whakahaerenga ngā mahi nui whakaharahara, mehemea he nui whakaharahara ko ngā tāngata e mahi nei i aua whakahaerenga. Koirā e waimarie nei a TKĀHW, me Aotearoa anō hoki.



Scott Pickering
Tumu Whakarae

From the Chief Executive

People before process is one of the core values of our organisation. In 2019/20 our people demonstrated this through the care, dedication and kindness they showed Kiwis during the nationwide COVID-19 lockdown.

It was a challenging time, but our focus was clear: we needed to ensure our people could continue to provide quality service to injured clients, to treatment providers and to businesses.

Delivering during lockdown

We had almost 4,000 staff working from home within a week of the lockdown. Working remotely proved no barrier. During this time, 94% of information requests from customers were responded to within 24 hours.

We were greatly aided by what we had delivered from our transformation investment in the previous five years. Right across the business we adapted quickly and made changes utilising our new tools and technology. Where required we modified our processes ensuring that the service delivery for our customers did not suffer.

We ensured clients – including the most vulnerable – were a priority and were receiving all their entitlements and support.

We put in place telehealth services for 29 provider types such as GPs and physios, sent daily communications to 27,000 providers, provided advance payments for some services, provided personal protection equipment to injury prevention providers, and paid 90% of invoices within five days of receipt.

Struggling businesses looked to ACC for support and understanding. We deferred invoicing and debt collection and looked at other ways we could support them. During this time, we saw a 200% daily increase in MyACC for Business, which allows self-management of accounts and work-related claims online. We now have more than 490,000 business customers supported via this digital channel.

All of us were affected by the lockdown. And many of us saw the impacts directly on family and friends. I am exceptionally proud of how our people responded by putting themselves in the shoes of our fellow New Zealanders and focusing on what was important to them.

Performance challenges

Before COVID-19 hit, ACC was on track to receive a record number of new claims. During the lockdown overall claim volumes across the Accounts fell rapidly – by 50% – but they bounced back once restrictions were lifted. It is important to note that 65% of the costs we incur in a year relate to claims from previous years.

Reducing claim numbers and improving rehabilitation and return-to-work outcomes will remain priorities for the organisation in the year ahead. The impacts of low interest rates on the OCL, while beyond our control, do put into sharp focus the need for ACC to lift performance in what we can control.

Making a positive difference

What made our response during the lockdown more effective and efficient was the investment in our people, processes and new technology. This year we continued implementing new technology to improve customer outcomes and experiences under our Integrated Change Investment Portfolio (ICIP).

This included a business analytics platform, a new and improved client payment platform that pays people on the same day their entitlements are confirmed, and MyACC for Clients. MyACC for Clients allows injured customers to use mobile devices to book and access ACC services such as taxis. More than 32,000 clients are now managing their claims digitally.

This worked well with the ongoing phased nationwide roll-out of Next Generation Case Management (NGCM) which removed the one-size-fits all approach. NGCM focuses on the specific – and often changing – needs of injured individuals. The momentum of our NGCM roll-out slowed at the start of the COVID-19 lockdown but did not stop. It will be in full operation by the end of September 2020, with the impacts of COVID-19 only delaying the schedule by a month.

The new model has now assisted more than 30,000 clients back to work or independence and is now supporting more than 50,000 clients in their recovery journeys.

We have received more than 6,000 pieces of customer feedback since August 2019, with an overall satisfaction rate of 74%. In addition, we have achieved an increase in injured customers net trust score +31 – up from +24 last year.

Looking to the future

In February we announced jointly with Tainui Group Holdings that we had signed an agreement to develop a prime central Hamilton site as the new home for ACC's 650 staff in the city.

Hamilton is an important business hub for ACC's operations nationally, and the development will provide a modern, safe and accessible working environment for our people and customers. It consolidates three existing Waikato premises into one, central-city location.

The new development, to be completed by October 2022, will be constructed to seismic and environmentally sound standards and is consistent with our new climate change policy framework to reduce our emissions significantly.

Helping Kiwis

With 40% of New Zealanders still unaware of the services ACC provides, we began a public awareness campaign that reached millions of New Zealanders. The team was able to tailor our approach during the lockdown to provide injury prevention messages while people were at home.

This year we managed more than 100 initiatives to reduce injuries and again met our performance target. As part of this we doubled our joint investment with WorkSafe to $30 million. The aim is to target high-cost, high-volume injuries in agriculture, construction, forestry and manufacturing.

Whāia Te Tika

We continued to make steady progress in implementing Whāia te Tika, our Māori strategy to improve maori client's access to the Scheme as well as outcomes and the ACC experience.

Alongside our national hui, we developed guidelines to clarify the social rehabilitation funding pathway for rongoā, established a Māori Customer Advisory Panel, and established a kaupapa Māori commissioning programme of work to address inequities in access and outcomes for Māori clients. We also completed testing of a Whānau Ora model of service delivery within a home-based disability support service.

Remarkable Scheme

Finally, it's important to acknowledge the brilliant work our people did – and are doing – to support those seriously injured in the Whakaari/White Island eruption that occurred in December 2019.

Many of these clients will require ongoing assistance from us for many years. It is important that we form deep and trusted relationships with them. That is the benefit of the calibre of our people and our Scheme: we are here for our customers when they need us, every step of their recovery. Organisations can only do remarkable things if the people who work in those organisations are themselves remarkable. That is what makes ACC, and New Zealand, fortunate indeed.

Scott Pickering
Chief Executive

Our response to COVID-19

Although true in every year, our response and delivery during the COVID-19 pandemic have highlighted the many ways ACC is here for New Zealand.

Before New Zealand entered Alert Level 4 on 26 March 2020, we ensured that the staff supporting our six priority functions could work effectively during the lockdown period. These priority functions are:

- Payments of weekly compensation to clients
- Supporting clients in vulnerable situations
- Payments to providers
- Investment portfolio management
- Claim lodgement and registration
- Paying ACC employees.

Once we had our priority activities implemented, we focussed on how else we could be there for New Zealand in these unprecedented times.

Within one week of the lockdown we had the systems and tools in place to ensure our people could work effectively from their homes. We had almost 4,000 people working from home. Alongside this we had a strong focus on managing employee wellbeing and effectiveness throughout this period.

For our clients

In the first week of the lockdown we moved quickly to contact all our vulnerable clients and agree regular check-in communication plans.

We were largely able to maintain operational functions at required capacity while working remotely.

We ensured weekly compensation payments were not affected and implemented e-texts when medical certificates were received to alleviate client uncertainty.

With our health providers

Some health services were designated as essential and continued with face-to-face consultations and treatments.

For other services we significantly broadened the range of non-essential services that could use telehealth.

We enabled the use of telehealth services by GPs, nurse practitioners and registered nurses to provide initial consultations. To support this, we waived the requirement for health professionals to have 'personally examined the patient' on our claim lodgement form.

We were able to pay over 90% of invoices within five days of receipt. We also ensured continuity of care by, in some situations, enabling advance payments for some services and increasing 'did-not-attend' allowances.

We implemented provider health checks. These provided early sight of provider sustainability issues from the impacts of COVID-19. ACC also paused the procurement process for some services in recognition of the market's reduced capacity to respond.

Helping business customers

We gave our business customers more time and flexibility to make their levy payments this year to provide relief to those coping with the impacts of COVID-19.

We postponed invoices for three months, developed payment options for when invoices were sent and stopped proactive collection and recovery activity.

Customers were able to get in touch with us easily through our digital platforms such as MyACC for Business, which saw a 200% increase in daily use.

Injury prevention

ACC, as part of the cross-government Joint Venture for Family Violence and Sexual Violence (Joint Venture), developed an online campaign to amplify existing messages about healthy relationships in the

COVID-19 context. These messages linked people to how they could get help to address early risks or respond to crises.

Where we were unable to deliver some injury prevention programmes, we worked to find alternative delivery channels (online), alter content or pause delivery.

We delivered the Bubble Life campaign to reassure New Zealanders that ACC was available during the national lockdown, helping with injury prevention and providing care and support if things went wrong.

Bubble Life

The Bubble Life campaign covered topics relevant to life in bubbles – including working from home, DIY, exercise, safety and falls in the home, kids' emotional safety and sexual violence. These messages were communicated across high-impact digital channels, social media and national and iwi radio networks. The campaign delivered just under 24.5 million opportunities for people to see and hear the content we produced and generated almost 300,000 clicks to our website.

Measuring our performance

We deliver on our three outcomes by pursuing three core strategic intentions. The impact of COVID-19 led to mixed results in 2019/20.

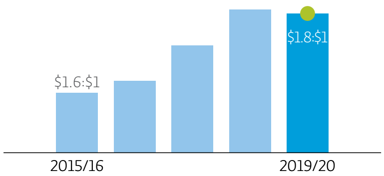
● Target met
● Target not met

Comparative historical data provided where available.

Increase the success of our injury prevention activities

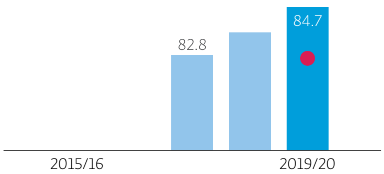
INJURY PREVENTION RETURN ON INVESTMENT

$1.80:$1 [Target $1.80:$1]



RATE OF SERIOUS INJURY

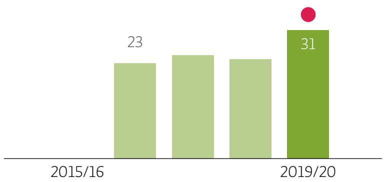
84.7 [Target 80.1]



Improve our customers' outcomes and experiences

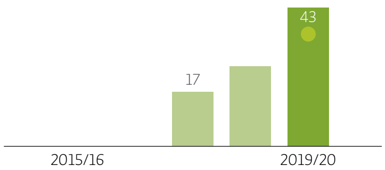
CLIENT NET TRUST SCORE

+31 [Target +34.8]



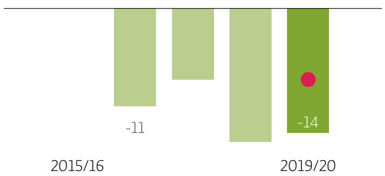
MĀORI CLIENT NET TRUST SCORE

+43 [Target +34.8]



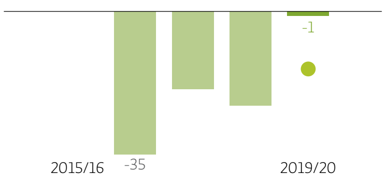
PROVIDER NET TRUST SCORE

-14 [Target -8]



BUSINESS NET TRUST SCORE

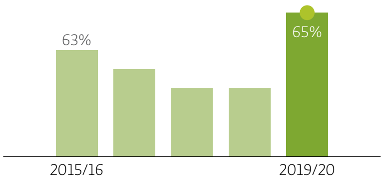
-1 [Target -14]



Improve our customers' outcomes and experiences

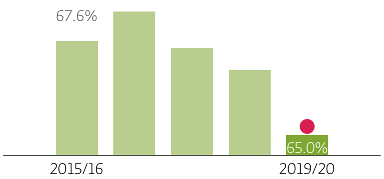
PUBLIC TRUST & CONFIDENCE

65% [Target 65%]



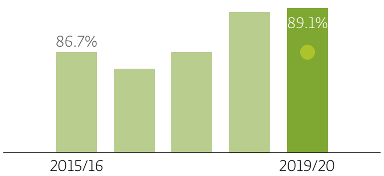
RETURN TO WORK WITHIN TEN WEEKS

65% [Target 66.5%]



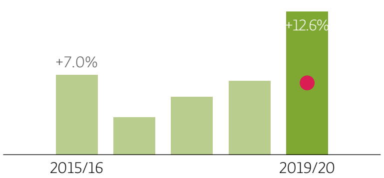
RETURN TO INDEPENDENCE FOR THOSE NOT IN THE WORKFORCE

89.1% [Target 86.0%]



GROWTH OF THE LONG-TERM CLAIM POOL

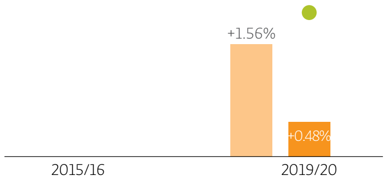
+12.6% [Target +6.2%]



Improve the financial sustainability of the Scheme

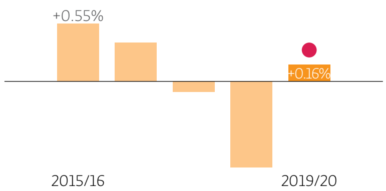
ACTUARIAL MOVEMENT

+0.48% [Target +2%]



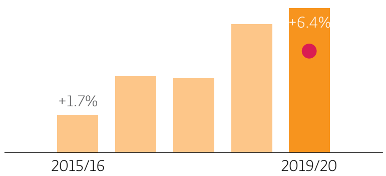
INVESTMENT PERFORMANCE AFTER COSTS RELATIVE TO BENCHMARK

+0.16% [Target +0.30%]



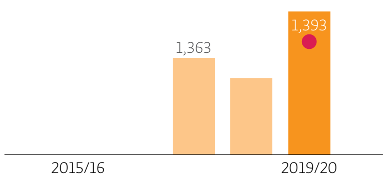
AVERAGE TREATMENT COST PER INJURY

+6.4% [Target ≤4.5%]



AVERAGE CARE HOURS PER SERIOUS INJURY CLAIM

1,393 [Target 1,370]



2019/20 operating environment

As they have been for many organisations, the effects of the COVID-19 pandemic on ACC have been pervasive and are expected to continue into the 2020/21 financial year.

Economic environment

The uncertainty in world economies caused by COVID-19 had a significant impact on our financial and non-financial performance this year, and is expected to affect many areas in the coming years.

Many areas of the Scheme's performance are correlated to the economic environment. Factors such as gross domestic product (GDP), unemployment, inflation, and equity and fixed-interest market movements have knock-on impacts to areas of performance including:

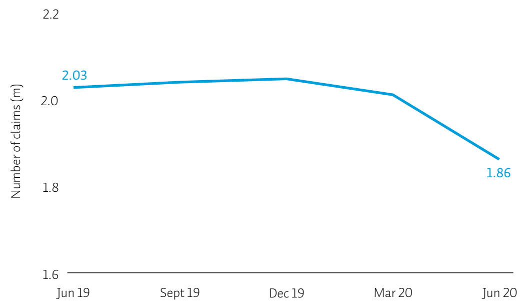
- claim volumes and costs
- rehabilitation performance
- levy revenue and bad debt
- the OCL valuation
- investment returns
- efficiency measures.

Impacts on claim volumes and rehabilitation performance

One of the most immediate impacts we experienced from COVID-19 was a sharp decline in new claim volumes.

We experienced ~50% decline in new registered claims on a weekly basis during Alert Levels 3 and 4 compared to the same period in 2019. After reaching Alert Level 1, the number of new claims registered increased to pre-COVID-19 levels faster than we anticipated. New weekly compensation claims also decreased by ~40% in Alert Levels 4, 3 and 2, picking up again in Alert Level 1. Generally, the impact on weekly compensation claims of COVID-19 was delayed compared with new claim registrations by approximately two weeks.

NEW CLAIMS REGISTERED (ROLLING 12-MONTHS)

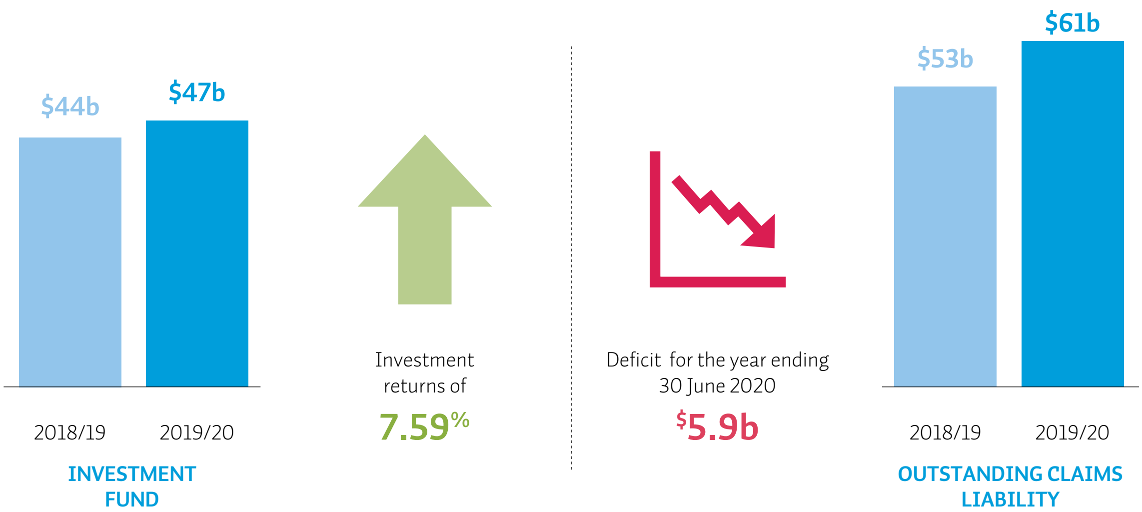


There was a change in the mix of new claims, with fewer straightforward claims lodged. Clients with more significant injuries continued to lodge new claims. This changed the new claims mix from our usual experience.

Rehabilitation performance was affected by this change in claim mix. With fewer straightforward claims lodged, the average duration for which clients required weekly compensation lengthened. In addition, lockdown restrictions meant longer-than-usual medical certificate extensions were issued as fewer clients were able to return to work.

Rate of serious injury

Everyone in New Zealand is covered by the Scheme, including international visitors. Following the Whakaari/White Island eruption, our people were there to ensure that affected people got the help they needed. This affected the rate of serious injury in 2019/20. In addition we also received more fatal claims for older adults, and assault-related claims than we expected. We are investing in long-term systemic change in the hope of reversing these trends.

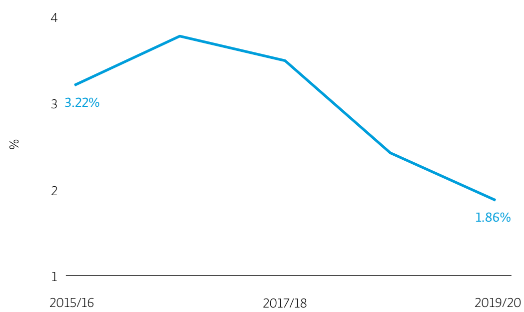


Falling interest rates

As was the case in 2018/19, interest rates continued to decline, influenced in part by COVID-19. Falling interest rates affect ACC in two keys areas: the valuation of the OCL and investment returns.

The OCL is our assessment of the net present value of how much ACC needs today to support already injured clients for as long as they require it. Falling interest rates result in a lower discount rate being applied to our OCL. In 2019/20 this contributed $7.3 billion to our deficit. The single-effective discount rate[1] applied to our OCL has an average duration of 20 years. This rate fell to 1.86% at 30 June 2020.

SINGLE-EFFECTIVE DISCOUNT RATE



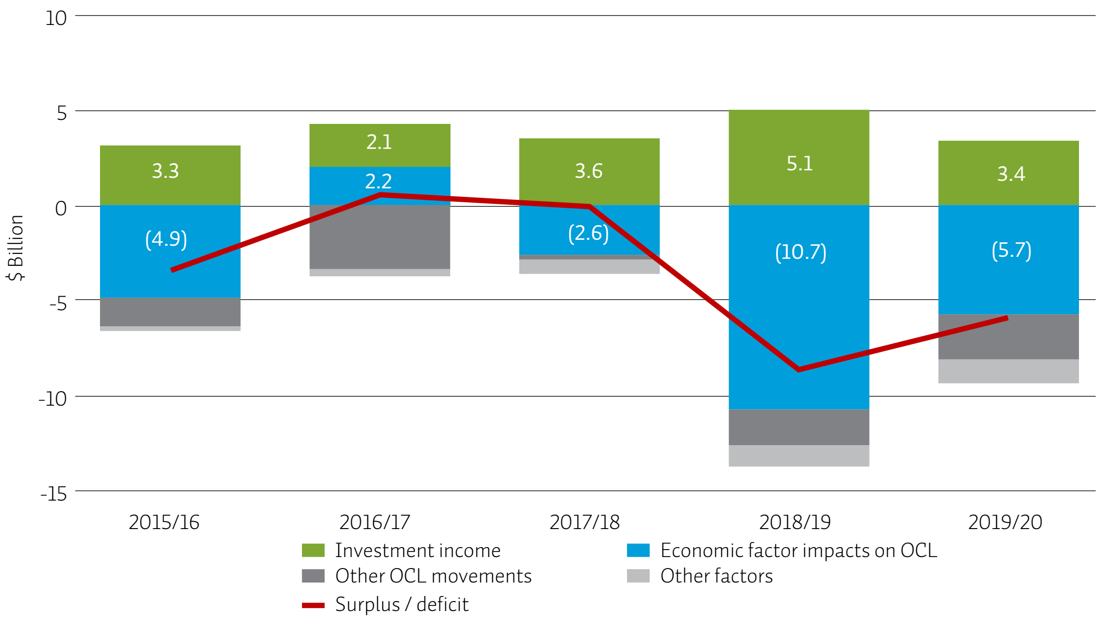
Investment returns for the year were 7.59% ($3.4 billion) after costs. Two-thirds of our investment portfolio is in fixed-interest products. This acts as a partial hedge to the interest rate exposure present in the OCL valuation.

In the past two financial years ACC has recorded $14.6 billion in deficits. These deficits have primarily been driven by economic factors outside ACC's control. These factors affected the valuation of ACC's OCL by $16.4 billion.

Although these deficits are not cash losses, they do have impacts on the funding ratio of the levied and Non-Earners' accounts, which in turn affects levy and appropriation requirements.

1 *The single-effective discount rate is a duration-weighted average discount rate, on the undiscounted OCL.*

COMPOSITION OF SURPLUS (DEFICIT)

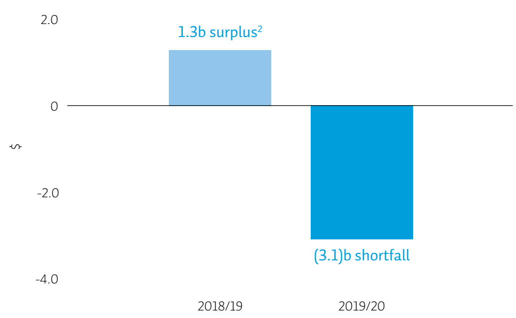


Levies and appropriations

In the past ten years, levy rates have generally fallen. This was by design to bring the over-funded Accounts back towards their targeted levels. The significant deficits in the past two years, primarily from economic impacts, mean the funding ratios have fallen further than expected.

As a result of these cumulative deficits, the total funding gap across the levied and Non-Earners' Accounts is a $3.1 billion shortfall. Refer to **page 57** for details on the funding ratios and funding gaps by Account.

FUNDING GAP



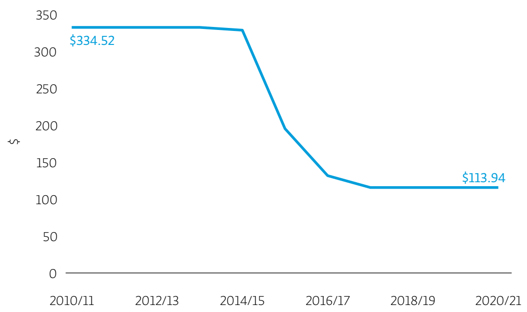
Levy rates are expected to be set, by Account, at a level to generate sufficient revenue to cover the lifetime costs of claims expected to be incurred during that levy year (new year claim costs). The rates are then adjusted in order to smooth the funding ratios, by Account, to their funding targets over ten years (three years when the Non-Earners' Account is in surplus).

2 *This surplus is based on the new funding Policy effective during 2019/20 applied as at 30 June 2019. Under the previous funding policy the funding gap would be a $9.5 billion shortfall.*

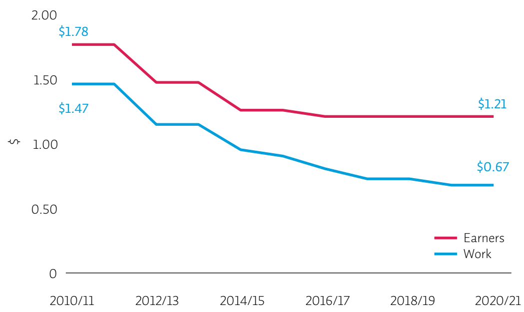
The table on **page 59** highlights the current gap, by Account, between expected levy revenue and new year claim costs. All levied Accounts have a shortfall for 2020/21. Other things being equal, there will be a further deterioration in the funding ratios in these Accounts until the new year claim costs gap is closed. This will create pressure on levy rates and is compounded by the Government's decision to maintain current levy rates for the next two years[3], which was intended to help ease the financial pressures of COVID-19 and provide certainty for businesses and New Zealanders.

The Government has agreed to fund the Non-Earners' Account for 2020/21 to a level to meet the new year claim costs.

MOTOR VEHICLE ACCOUNT LEVY RATES



WORK & EARNERS' ACCOUNT LEVY RATES



Climate change

ACC's operations already integrate many environmental, social and governance considerations. This year we introduced a climate change policy framework[4] covering the corporate and investment functions of the business. Our aim is to be proactive in leading New Zealand's commitment to net zero emissions by 2050. We support efforts to limit the average temperature rise to less than 1.5°C above pre-industrial levels. We will cut our corporate emissions and decarbonise the investment equities portfolio in line with the intent of the Climate Change Response (Zero Carbon) Amendment Act passed in 2019.

3 *Until at least 31 March 2022 for work and earners' levies, and 30 June 2022 for motor vehicle levies.*
4 ***https://www.acc.co.nz/assets/corporate-documents/climate-change-framework.pdf***

How your ACC is funded

Government

$1,278m

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

Employers

$815m

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

Employees

$1,664m

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

Motor Vehicle owners and drivers

$444m

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

Where the money comes from

Government and employees

$267m

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

Investment earnings

$3,444m

Income from our investments

Economic impacts on OCL

$5,716m

Impact of interest rate and inflation changes

Costs

$1,016m

Operating and other costs

Other changes to OCL

$2,428m

Additional funds to cover the future costs of claims

Financial compensation and vocational rehabilitation

$1,792m

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

How the money is allocated

Injury prevention

$102m

Helping the community understand how to stay safe and healthy

Treatment and emergency travel

$1,966m

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

Care and support

$839m

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

Overview

Our Strategic Framework

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

SIR OWEN WOODHOUSE, CHAIRMAN, ROYAL COMMISSION ON COMPENSATION FOR PERSONAL INJURY, 1967

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

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

Our strategic intentions represent our commitment to:

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

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

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

In 2020 we will be completing the roll-out across the country of our new case management model. This will be a key milestone for our ICIP. The ICIP has given us the foundation to better manage our performance and customer service delivery.

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

We plan to maintain our pace of change, and our Executive team and Board are committed to ensuring that our performance improves as changes are delivered.

FIGURE 1: STRATEGIC FRAMEWORK

Long term (Enduring)		Medium term (Four years)	Near term (One year)
Vision	**Outcomes**	**Intentions**	**Our outputs**
	Our outcomes describe, at a high level, what we are delivering to support a healthy and prosperous New Zealand.	Our intentions reflect the areas that need the most focus during the four-year period covered by our Statement of Intent. They demonstrate where we intend to concentrate our efforts to deliver our vision, our outcomes and the Government's priorities for ACC. We have strategic intentions and intentions to improve the organisational health and capability of ACC. • **51 initiatives during 2019/20** • **20 key measures for 2019/20**	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. • **43 performance measures for 2019/20**
To create a unique partnership with every New Zealander, improving their quality of life by minimising the incidence and impact of injury.	Reduce the incidence and severity of injury in New Zealand.	**Injury prevention** Increase the success of our injury prevention activities.	**Injury prevention** We aim to reduce the incidence and severity of injury to reduce the economic, social and personal impacts of injury on individuals and to achieve a cost-effective reduction in levy rates or government funding.
	Rehabilitate injured people in New Zealand more effectively.	**Customer outcomes and experiences** Improve our customers' outcomes and experiences.	**Levy setting and collection** In order for us to deliver services we must collect revenue. Through our levy-setting process we calculate our future revenue needs for each Account and recommend levies in line with the full funding requirements of the Scheme.
	Ensure that New Zealand has an affordable and sustainable Scheme.	**Financial sustainability** Improve the financial sustainability of the Scheme.	**Investment management** Serious injuries will require ongoing expenditure for decades into the future, so a portion of levies collected each year is set aside to provide for future costs. We invest these funds to meet the future costs of claims.
		Organisational health and capability **People** – maintain a diverse, high-performing workforce empowered to deliver great customer experiences and outcomes. **Information** – improve the way we use, protect and share information. **Technology** – support our business outcomes with modern, reliable and secure information technology.	**Claims management** We deliver effective, high-quality rehabilitation services so that injured people covered by the Scheme get appropriate medical treatment, social and vocational rehabilitation services and compensation to enable an early return to work, independence or everyday life.

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

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

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

Environmental, social and governance

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

ACCIDENT COMPENSATION ACT 2001

Environmental, social and governance themes are at the core of how ACC functions. Environmental, social and governance issues have long been considered in the way we operate internally, how we design and deliver our services to customers and how we manage our investments. This section provides a summary of our progress in 2019/20 and references the areas of the 2020 Annual Report where we communicate our environmental, social and governance deliverables.

Our Environmental, Social Governance Framework

Environmental	Social	Governance
Responsible and Ethical investing *(page 76)*		Governance and managing risk *(page 92)*
Climate change policy *(page 88)*	Injury Prevention *(page 42)*	
	Impact fund *(page 65)*	
	Whāia Te Tika *(page 33)*	
	Good employer obligations *(page 82)*	
	Rehabilition *(page 46)*	
	Injury management *(page 46)*	

Social

ACC is the Crown entity set up under the Accident Compensation Act 2001 (AC Act) to deliver the Scheme.

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

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

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

ACC creates significant social value for New Zealand by:

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

We are committed to developing and maintaining a diverse and high-performing workforce. Further information on what we delivered in support of this commitment in 2019/20 is on ***page 78***.

Whāia Te Tika

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

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

Further details on Whāia Te Tika are included on ***page 33***.

Good employer obligations

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

Additionally, as a Crown entity ACC is required to be a good employer by providing safe working conditions.

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

We report on ***page 82*** activities carried out this year to meet our good employer obligations.

Responsible and ethical investing

In accordance with the AC Act, a statement on ethical investment is included in this Annual Report. Refer to the ACC Investments section on ***page 76*** for more information on our ethical investment approach, which is guided by ACC's ethical investment policy.

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

- the Principles for Responsible Investment[5]
- the Responsible Investment Association Australasia
- the New Zealand Corporate Governance Forum.

As a signatory to the Principles for Responsible Investment, we report on our implementation

5 ***unpri.org/pri/what-are-the-principles-for-responsible-investment***

of the six principles and we are assessed on our commitment to responsible investment. For details of the six principles and ACC's latest annual filing, refer to ***www.unpri.org***.

Governance and managing risk

ACC's corporate governance is largely underpinned by legislation that determines Board and Ministerial oversight. Within this legislated structure, ACC's governance framework includes ACC Executive and Board oversight and risk management. Refer to the governance section on ***page 92*** for ACC's governance framework.

The NZX Corporate Governance Code (the NZX Code) promotes eight principles for good corporate governance. As a Crown entity, ACC is not required to comply with these principles, but we continue to review and develop best practice in our corporate governance. Refer to ***page 92*** for details on how ACC reflects the Code's principles.

Environmental

ACC aims to be proactive in leading New Zealand's commitment to net zero emissions by 2050, including supporting efforts to limit the average temperature rise to less than 1.5°C above pre-industrial levels.

This year we developed a climate change framework for ACC, building on activities we had underway. We will use the framework as a guide when developing our climate-change-related policies. It sets out principles and requirements to ensure we understand the opportunities and risks associated with specific climate change policies. This approach will ensure our climate change actions are aligned with our long-term commitment to address climate change.

ACC is aiming for a 60% reduction in corporate emissions by 2025 from 2019 levels, refer to ***page 88*** for further details on where we measure our corporate environmental impacts, our climate change framework and some of the areas where we are working to reduce these impacts.

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

In 2019/20 ACC confirmed its alignment with the Climate Change Response (Zero Carbon) Amendment Act. This means reducing the carbon intensity of the global equity investment portfolio by at least 50% by 2030 compared with 2019 levels. Further information on the steps we are taking to achieve this is included in the environmental section on ***page 88***.

Whāia Te Tika

Whāia te whanuitanga me te hōhonutanga o te mātauranga

Ko Whāia te tika, tā mātou, tā TKĀHW rautaki Māori, e whai ana ki te whakarite wheakotanga, huanga KĀHW hoki mō ngāi Māori, mā Te Arotahi Kiritaki, mā Kia Hiranga Te Mahi Ngātahi, me Whakawhanaketia.

I te tau ka huri, kua whakaihiihi mātou i ngā kaupapa, i ēnei aronga me te whāinga ki te whakapiki torohaki, ki ā mātou putanga ki roto, ki waho anō hoki i te whakahaerenga. Ko te tino, e hiahia ana mātou ki te whakatutuki i ngā otinga kia:

- iti ake te whara o ngāi Māori
- whakakoretia ngā taupā ki te whai wāhi me te mahi tahi, e whakaitingia ai ngā rerekētanga me te whakapiki i te ōritetanga;
- whiwhi ngā kiritaki Māori i te tautoko e tika ana, e tukua ana hoki i runga i te tika mō rātou me ō rātou whānau
- mahi tahi, kia mārama, kia urupare ki ngā matainainatanga, ki ngā kawatau, me ngā tūmanako o ngāi Māori inā toro mai ai ki TKĀHW; ka mutu
- kia mahi tahi me ngā ratonga hauora Māori me ō rātou umanga ki te waihanga me te tuku i ngā rawa me ngā ratonga hei whakatutuki i ngā hiahia o ngāi kiritaki Māori.

TĀ TE MINITA TUARUA HUI - NGĀ WHARE WAATEA HUI, 6 O MAEHE 2020

Ko ngā ratonga Māori me ngā whānau i tae atu ki tētehi hui me te Minita Tuarua o TKĀHW, a Hōnore Willie Jackson, me te Tāhūhū Rangapū o TKĀHW, me te Āpiha Kiritaki Matua ki Ngā Whare Waatea. Ko te pūtake o te hui, ko te tūhura i ngā wero, me ngā kōwhiringa mō ngāi Māori me TKĀHW ki te mahi tahi ki te whakatutuki i ngā takune o Whāia te Tika, ki te whakapai ake i te aroā, i te whai wāhitanga, i te wheakotanga, me ngā putanga mō ngā whānau Māori.

I rongo rā mātou i ngā kaupapa hihira pēnei i:

- te Mana Māori Motuhake
- te whiwhi, me te tautoko i ngā ratonga Kaupapa Māori, inarā ko ngā kerēme mākoha, me te rongoā
- ngā whakakorenga whara ā-aronga Māori
- te whakapai ake i te whai wāhitanga ki ngā ratonga TKĀHW (ehara i te Māori)
- te aro ake ki ngā wheakotanga aroaro-ā-kapa me te whakahaere kerēme, tae atu ki te kanohi ki te kanohi, me te titiro ki tā mātou ratonga mā te karu whānui
- te whakaaro nui, me te whakauru i ngā whānau, i ngā iwi me ngā hapū ki te manaakitanga
- te whakapāpā me te mahi tahi me ngā hapori Māori
- te whakamahi i te raraunga Māori, i ngā inetanga, me ngā putanga
- te aro ki ngā tohu mātauranga Māori
- te whakapiki i tō TKĀHW mōhiotanga, āheitanga hoki i te Kaupapa Māori, me te taritari i te Māori, me te
- whakatauira mōhiotanga, whakamahinga hoki o Te Tiriti o Waitangi.

Kua tautohutia e mātou he rārangi o ngā aronga matua, kua whakaritengia hoki he rautaki mahi ki te arataki i ā mātou mahi hei ngā marama tekau mā rua e haere ake nei.

Te Arotahi Kiritaki

E whāia ana ā mātou mahi ki te whakapai ake i te whai wāhitanga kiritaki, te wheako, me ngā putanga

NGĀ WHAKAPIKINGA Ā-RATONGA

E haere nei ngā mahi mahere mō te wāhanga tuatahi o Hāpai, te mahi whakamātūtūtanga mahi tahi. Ko te whāinga matua kia mahi tahi pai me ngā kiritaki Māori mā ngā mātāpono Kaupapa Māori ki te whakatiketike me te whakahaumako i ngā tukunga ratonga mō ngā kiritaki hoa kaipakihi whakamātūtū me ō rātou whānau.

TE PAE ARATAKI KIRITAKI MĀORI

I tīmata Te Pae Arataki Kiritaki Māori (TPAKM) i Oketopa, 2019. E tū nei te pae ki te tuari i ngā āheinga, i ngā auahatanga para huarahi hou, i te matahou Māori e whakamana nei i ngā whānau Māori kia puāwai ai hei Māori.

E haria mai ana ngā mema o te pae, ngā pūkenga e hāngai ana ki te wāhanga pakihi Māori, ki ngā wāhanga hauora, pāpori Māori, me te reo kiritaki. E takea mai ana te Kaupapa Māori i te āheitanga ngātahi me te wheako ora.

I tae atu, ā, i tautoko ngā mema Pānara i TKĀHW ki te hui Ngā Wātea Marae, i te 6 o Maehe 2020, i āwhinatia hoki te whakatutukitanga o te Mahere Mahi o Whāia Te Tika 2020.

Kia Hiranga Te Mahi Ngātahi

E aro ana ā mātou mahi ki te rautaki mahi, me te mahi ngātahi ki te whakapai ake i ngā putanga.

WAIKATO-TAINUI

Mai i 2014, kua whakatupu a TKĀHW i tētehi whakahoatanga kaha, mauroa hoki me Waikato-Tainui. Ko tā mātou Whakataunga Manatū pūhou, he tūāpapa mō ngā momo kaupapa ki te tautoko i ngā huanga whai pānga rua. Ko ētehi tauira ko:

Ngā kēmu a Tainui 2020 - Whakaaturanga Hauora: I whāia e tō mātou kanohi kitea kia whakapikihia te whai wāhitanga ki ā mātou ratonga mā ngā kaumātua o Waikato-Tainui, me te tautoko i te ritenga o ngā mōhiohio hauora.

TAINUI GROUP HOLDINGS

Kua whiriwhirihi momoho nei mātou i tētehi whakataunga whanaketanga me te kamupene a te iwi, Tainui Group Holdings (TGH) ki te whakarite kāinga hou mō TKĀHW ki roto o Waikato. Ko ngā tari o TKĀHW ki Waikato e tū kē ana, ka whakangātahitia hei wāhi kotahi. Hei te Oketopa 2022, tutuki ai taua wāhi hou.

TŪĀRAI

Mai i te hiku o 2017, kua whakahoa me ngā ratonga ā-iwi o Te Tairāwhiti, ki te waihanga me te whakatauira i tētehi kaupapa Māori ā-iwi e aro nei ki te ārai whara. I whakarite tēnei i tētehi āheinga ki ngā iwi ki te waihanga me te whakamātautau i tētehi tauira kaupapa Māori, e whakaū ana i ngā uara Māori me ngā whakapono, ngā tauira ahurea Māori, me ngā anga Māori. E paeratahia ana i Te Tairāwhiti, e aro ana a Tūārai ki ngā rōpū e toru: kaumātua (te hunga pakeke), tamaiti mokopuna (ngā tamariki me ngā rangatahi), me ngā taiao whai mahi.

KO TE KAUPAPA PĀHOPORI MĀTAURANGA MĀORI TAMARIKI HAUMARU AOTEAROA

Kua mahi ngātahi TKĀHW me Tamatiki Haumaru ki te whakarite i ngā rauemi kaupapa Māori ki te tautoko i ngā karere tamariki ārai whara, ina koa ko te aro ki ngā whara noa nei i te kāinga. Mā te whakamahi aronga kaupapa Māori ki te whakarewa i te mātauranga Māori mō te mahi mātua, te haumaru, me te hauora ā-tamariki, ā-whānau anō hoki; e whakawhanake ana mātou i ngā tirohanga taketake mō te tiaki i ngā tamariki, i ngā whara. Kua whakaritengia, kua whakarewatia ngā rauemi ataata, tae atu ki te pūrakau, waiata, me tētehi pae tamariki mā te kōkiritanga pāhopori.

Ngā Whakapoapoa Haumaru ā-wāhi mahi, me te ārai whara - Te Whai wāhi ki a ngāi Māori me te rangahau

Ngā Putanga Māori - Whāia te tika kia puāwai ko te ora.

I te rauna o ngā tahua wāhi mahi ārai whara, e rua ngā tono momoho e whai ana ki te whakapiki i te hauora, i te haumaru, me ngā putanga mō ngāi Māori:

HAUMARU TĀNGATA

I whakawhiwhia Te Whare Wānanga o Awanuiārangi ki tētehi tahua $1.2 miriona ārai whara mahi.

Ko te tūranga i roto i tētehi anga kaupap Māori e whakataumata ana, e whakamātāmua ana i te mātauranga Māori, ko te kaupapa tahua (Haumaru Tāngata) ka tūhura ka whakawhanake hoki i tētehi anga ārai whara urupare ahurea ki te whakaiti ake i ngā whara, me ngā mate ā-wāhi mahi. E whāia ana kia whakamātautau, kia whakapai, kia tūhura hoki i tōna whai pānga, i tōna wāriu hoki ki ngā tū wāhi mahi me te whakaaro ki te waihanga i tētehi tauira e taea ana te tukurua ki wāhi kē.

I kōwhitingia hoki a E Tū, te uniana e whakakanohi ana i ngā kaimahi i ngā ahumahi e ono. Ko tēnei kaupapa, he whakatū i tētehi anga hautūtanga mō te mahi whakatau hauora me te haumaru pai ake a ngā kaiwhakahaere me ngā kaimahi, e iti ake ai ngā nama, me te kino o ngā whara, inarā ko ngā kaimahi whakaraerae i te ahumahi whakanao.

KO TE IRONMĀORI, ME NGĀ TOHU HĀKINAKINA MĀORI

I whakaritengia e te mahi ngātahitanga o IronMāori me TKĀHW te Oma Taumano Haurua i Nōema 2019. Ko te IronMāori tētehi o ngā kaupapa hākinakina Māori rongonui, kua whakanuitia, nā tana panoni i te hauora o ngā tini tāngata. Ko te aronga o tēnei tau, ko te whakamana i tā TKĀHW SportSmart. Ko te tikanga, he whakapakari i He Kanohi Kitea me te whakatupu whakapono, mana hoki hei hoa he ōrite nei ngā here.

WHAKAATA MĀORI

Kua whakahoahoa ki a Whakaata Māori ki te waihanga i tā mātou kōkiritanga wehikore, me ngā ataata pūrākau poto. Ko te whakamāoritanga o te Wehikore ko te wehi kore, i te haumaru, mātātoa, haumaru hoki.

Kua whakatinanatia e mātou he aronga Kaupapa Māori pūkenga nui ki te whakarite karere ārai whara hei whakatairanga i te oranga tonutanga. Ko ēnei ataata taki kōrero, he miramira i ngā uara ahurea me ngā tikanga e tūhonotia nei te Māori, ka mutu, he pēwhea tā te hākinakina tautoko i te manamanahau, i te hauora tāngata, hapori hoki.

E whakaahua ana ēnei ataata i ngā karere ārai whara, mō te whakamahana, te whakariterite, te whakangungu, me te mātengatenga. Ka whakaurungia ki ngā pūrākau, te hiranga o te ngahau, me te huhuatanga i ngā hākinakina.

Ki tā te whakamārama o te rangahau-o-muri o te kōkiritanga, ko ngā karere he whakamōhiohio, he tautoko hoki i te ahurea Māori. Mā ēnei kitenga mātou hei āwhina kia mārama ai he aha e whai pānga ana e taea ai e mātou te whakamahere whāinga pū anamata.

Whakawhanaketia – Te whakatupu i te āheitanga

E whāia ana e ā mātou mahi ki te whakapai ake i te āheitanga ahurea, me te āhua o tā mātou ki te Māori.

TE WHAKAPIKI I TE WHAKAMAHINGA ME TE KITEA O TE REO MĀORI

Ko ngā tikanga whakaingoa Reo Māori mō ngā wāhi, mō ngā tūranga, mō ngā wāhi me ngā tīma kia whakaurua ki te ki te tukunga o te Whakahaere Kēhi Hou.

E whakairi matararahitia ana ngā pānui whakaahua reo rua, me ētehi atu whakatairanga, e whakaatu atu ana i ō mātou uara, ki ō mātou Whare Manaaki me ngā Tūranga Tiaki.

TE WHAKAPIKI I TE WHAKAMAHINGA ME TE KITEA O NGĀ TIKANGA

- Te whakauru a ngā hautū tāngata i ngā tikanga, pērā i te karakia me te waiata ki ā rātou hui
- He tikanga tā te Tūranga Tiaki me te Whare Manaaki i Waikato ki te rāhiri i ngā kaimahi hou katoa, ki te mihi whakatau, me te mahere kia pēnei te taumata puta noa i te aroaro-ā-kapa
- E haere nei ētehi rōpū waiata ki ētehi o ngā wāhi puta noa i te motu
- E whai wāhi ana ngā kaimahi aroaro-ā-kapa o Otepoti ki tētehi rōpu waiata umanga takitini i waiata i te Whāia Te Tika me ētehi atu waiata ki te marae o Ōtākou i te rā o Waitangi.

TE HŌTAKA WHAKANGUNGU ĀHEITANGA AHUREA Ā-WIKI

I te roanga o te tau, e whakatupu tonu ana ā mātou tāngata i ō rātou āheitanga ahurea, me te mātauranga, mā ngā hōtaka ā-wiki e pā ana ki ngā momo kaupapa o Te Ao Māori. Kua whai papatūranga ngā kaimahi, i ngā hōtaka mātauranga Māori, ki te mahi, ki te whakawhitiwhiti kōrero, ki te whai mōhiotanga pai ake ki Te Ao Māori, me tōna whai pānga ki te mahi a TKĀHW.

TE HŌTAKA REO MĀORI Ā-MOTU

He hōtaka matarau Te Reo Puāwai e aro ana, ko te reo Māori te hōkai tuatahi ki te whakatuwhera i te ao Māori. Kua tukua tēnei hōtaka ki tētehi rōpū 160 nei ngā tāngata.

He nui ngā whakahokinga kōrero pai mō te hōtaka, me te mōhio o ā mātou tāngata, he nui kē atu te hōtaka i tēnā o tētehi rawa whakatupu āheitanga ahurea, engari, he papa hoki ki te whakaputa, ki te whakawhanake, me te whakahonohono i te wā o te rāhui, ā, ki tua atu hoki.

NGĀ TIKANGA ARATAKI KAUPAPA MĀORI

I te taha o ngā rawa whai māramatanga ki te ahurea, me ngā rawa mahi haumaru ki te ahurea, kua roa e totoka ana, e whakarite ana mātou i ngā tikanga arataki ki te whakapiki ake i te mōhiotanga ahurea me te haumaru, ki te whakawhānui i tō mātou mōhiotanga e pā ana ki te kaha ā-mātauranga Māori, e matapopore nei i te mātauranga hei pūtakenga auahatanga, me te waihanga tūhonotanga pai ake ki ngā kiritaki katoa, mā te tauira Kaupapa Māori. Ka tuaritia te tikanga arataki ki ō mātou tāngata i te te upoko o te 2020/21.

Whāia Te Tika

Whāia te whanuitanga me te hōhonutanga o te mātauranga

Pursue the breadth and depth of knowledge

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

In the past year we have activated initiatives in each of these focus areas with the aim of building momentum towards our outcomes inside and outside the organisation. Ultimately, we want to achieve results that mean:

- Māori New Zealanders are injured less often
- barriers to access and engagement are removed, reducing disparities and improving equity
- Māori customers receive the right support 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 engage with ACC
- we partner with Māori health providers and other agencies to design and deliver products and services to meet Māori customer needs.

ASSOCIATE MINISTERS HUI – NGA WHARE WAATEA HUI 6 MARCH 2020

Māori health providers and whānau attended a hui with the Honourable Willie Jackson, Associate Minister for ACC, along with the ACC Chief Executive and Chief Customer Officer at Ngā Whare Waatea. The purpose of the hui was to explore the challenges and opportunities for Māori and ACC in working together to achieve the intentions of Whāia Te Tika, to improve awareness, access, experiences and outcomes for whānau Māori.

We heard important themes, such as:

- Māori mana motuhake (Māori leadership)
- procuring and supporting kaupapa Māori health services, in particular for sensitive claims and rongoā
- Māori-focused injury prevention initiatives
- improving access to existing ACC (non-Māori) services
- recognising frontline experiences and claims management, including kanohi ki te kanohi (face to face) and seeing our service through a holistic lens
- considering and including whānau, iwi and hapū in care
- communication and engagement with Māori communities
- utilising Māori data, metrics and outcomes
- recognising Māori qualifications
- increasing ACC's knowledge of and capability in kaupapa Māori and the recruitment of Māori
- demonstrating knowledge and applications of the Treaty of Waitangi.

We have identified a prioritised list of focus areas and developed an action plan to guide our activity in the next 12 months.

Te Arotahi Kiritaki – Customer Focus

Our actions seek to improve customer access, experiences and outcomes

SERVICE ENHANCEMENTS

Planning is underway for the first phase of Hāpai Partnered Recovery work. The main aim is to engage effectively with Māori clients, using kaupapa Māori principles to enhance and enrich our service offerings for partnered recovery clients and their whānau (for more information, refer to ***page 48***).

MĀORI CUSTOMER ADVISORY PANEL

The Māori Customer Advisory Panel commenced in October 2019. The panel exists to share opportunities, ground-breaking innovations and

Māori ingenuity that empower whānau Māori to flourish as Māori.

The panel members bring a wealth of skills related to the Māori business sector, Māori health and social sectors, and the client voice. Kaupapa Māori is derived from shared capabilities and lived experiences.

The panel members attended and supported ACC at the Ngā Waatea Marae Hui on 6 March 2020, and helped in the execution of the resultant Whāia Te Tika Action Plan 2020.

Kia Hiranga Te Mahi Ngātahi – Partnering for Excellence

Our actions focus on strategic engagement and partnering to improve outcomes

WAIKATO-TAINUI

Since 2014, ACC has built a strong and enduring partnership with Waikato-Tainui. Our recently refreshed Memorandum of Understanding provides the foundation for a range of activities to support mutually beneficial outcomes. An example is the Tainui Games 2020 Wellbeing exposition. Our presence aimed to increase access to our services by Waikato-Tainui kaumātua, and to support the provision of good health and wellbeing information.

TAINUI GROUP HOLDINGS

We have successfully negotiated a development agreement with iwi-owned company Tainui Group Holdings to create a new home for ACC in Waikato. Three existing Waikato ACC offices will be consolidated into one central location. The new site is due to be completed in October 2022.

TUĀRAI MODEL PILOT

Since late 2017 we have partnered with Tairāwhiti iwi providers to design and pilot an iwi-driven kaupapa Māori approach to injury prevention. This has provided iwi with an opportunity to design and test a kaupapa Māori model, which is underpinned by Māori values and beliefs, cultural paradigms and frameworks. Piloted in the Tairāwhiti region, Tuārai focuses on three cohorts: kaumātua (elderly), tamaiti mokopuna (children and young people) and workplace environments.

SAFEKIDS AOTEAROA MĀTAURANGA MĀORI RESOURCE SOCIAL MEDIA CAMPAIGN

ACC has collaborated with Safekids Aotearoa on the development of kaupapa Māori resources to support child injury prevention messages, particularly focused on unintentional injuries around the home. Utilising a kaupapa Māori approach to show mātauranga Māori on parenting, safety and child and family wellbeing, we are developing indigenous perspectives on keeping children safe from injuries. Video resources, including a pūrakau (story), waiata (song) and children's panel have been developed and launched via a social media campaign[6].

WORKPLACE SAFETY INCENTIVES AND INJURY PREVENTION – MĀORI ENGAGEMENT AND RESEARCH

Ngā Putana Māori – Whāia te tika, kia puawai ko te ora: Seek to do what is right for the wellbeing of all

Out of the August 2019 round of the Workplace Injury Prevention Grants, two successful proposals seek to improve health, safety and wellbeing outcomes for Māori.

HAUMARU TĀNGATA

Te Whare Wānanga o Awanuiārangi was awarded a Workplace Injury Prevention Grant.

Positioned within a kaupapa Māori framework that centres on and prioritises mātauranga Māori, the grant project ('Haumaru Tāngata') will explore and develop a culturally responsive workplace injury prevention framework to reduce and prevent workplace injuries and fatalities. This project aims to test, refine and explore the framework's utility and value in a range of workplaces with a view to developing a model that can be replicated elsewhere.

E Tū, the union representing workers in six industries, was also selected for a grant. Its project will establish a leadership framework for improved health and safety decision-making by managers and workers, leading to reductions in the number and severity of injuries, particularly among vulnerable workers in the manufacturing sector.

6 *www.starship.org.nz/matauranga*

IRONMĀORI AND MĀORI SPORT AWARDS

The IronMāori and ACC partnership delivered the 2019 IronMāori Half Marathon in November 2019. IronMāori is one of New Zealand's most well-known Māori sports movements, and has been credited with changing many people's health and wellbeing. This year's focus was on delivering on the kaupapa of ACC SportSmart. This means building on he kanohi kitea (the importance of meeting people face to face) and growing trust and reputation as a partner with mutual commitments.

MĀORI TELEVISION

We have partnered with Māori Television to create our wehikore (fearless, unafraid, intrepid, safely) campaign with more than 20 short video stories.

We've taken a strength-based kaupapa Māori approach to delivering injury prevention messages to promote wellbeing. These storytelling videos highlight the cultural values and traditions that connect Māori and how sport can contribute to happier, healthier people and communities.

These videos feature injury prevention messages on warm-up, preparation, training and concussion. The importance of having fun and variety in sports is woven into each story.

Post-campaign research described the messages as being informative and supporting Māori culture. These insights will help us to understand what resonates so we can plan future targeted campaigns.

Whakawhanaketia – Developing capability

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

INCREASING USE AND VISIBILITY OF TE REO MĀORI

Te reo Māori naming conventions for locations, roles, sites and teams have been embedded into the NGCM roll-out.

Bilingual posters and other collateral displaying our values are positioned prominently around our Whare Manaaki and Tūranga Tiaki.

INCREASING USE AND VISIBILITY OF TIKANGA.

- People leaders incorporate tikanga such as karakia and waiata in their meetings.
- Tūranga Tiaki and Whare Manaaki in Waikato now welcome all new staff with mihi whakatau, with plans in progress to make this standard across all of our people in the frontline.
- Waiata groups operate in a number of locations around the country.
- Dunedin-based frontline staff are part of an inter-agency waiata group who performed Whāia Te Tika and other waiata at Ōtākou Marae on Waitangi Day.

WEEKLY CULTURAL CAPABILITY TRAINING PROGRAMME

During the year our people continued to build their cultural capabilities and intelligence through weekly sessions on a range of topics related to te ao Māori. The mātauranga Māori sessions provide a weekly platform for staff throughout the business to engage with, discuss and gain a better understanding of te ao Māori and how it relates to the work of ACC.

TE REO MĀORI NATIONAL PROGRAMME

Te Reo Puāwai is a blended learning programme that recognises that learning te reo Māori is a first step to unlocking the Māori world. The programme has been rolled out to an initial cohort of 160 people.

The programme has received positive feedback, with our people recognising that the programme is more than a cultural capability building tool; it was also a forum to express, develop and connect during lockdown and beyond.

KAUPAPA MĀORI GUIDELINES

Alongside established cultural awareness and safety tools, we are developing guidelines to raise cultural intelligence and safety. We are building better connections with all customers using kaupapa Māori paradigm by expanding our knowledge of strengths-based mātauranga Māori and value of mātauranga Māori as a source of innovation. The guidelines will be shared with our people in early 2020/21.

Kids in sport – the benefit of balance

Since 2008 we've seen a surge in sport-related injuries among kids aged 10 to 14 – double the increase in any other age group. This has partly been driven by a growing trend for young people to specialise at an earlier age in single sports and engage in high-intensity training routines. The misconception is that this leads to increased sporting success. But research and experience suggest the opposite. We worked with a range of professional athletes, medics and sport scientists mid-way through 2019 to raise awareness of this issue, and help promote the benefits of a more balanced approach to sport – including better performance and the development of a lifelong love of being active.

Core performance

Injury prevention

Key measures	Actual 2018/19	Target 2019/20	Actual 2019/20	Target
The portfolio of injury prevention investments will have an assessed positive return on investment	$1.81:$1	$1.80:$1	$1.80:$1	Achieved
Rate of serious injury	81.2	80.1	84.7	Not achieved

Our focus is on improving the wellbeing of New Zealanders and managing the expected growth of our Scheme costs. Injuries have a substantial impact on the wellbeing of the people of Aotearoa, both as a leading cause of premature death and through disability following an injury.

The social and economic cost of injury to New Zealand is estimated at over $10 billion per year. For ACC, in 2019/20 the cash cost of claims was $4.6 billion and there were just under two million new claims. Each year we have increased our investment in injury prevention, rising to $102.5 million in 2019/20. This investment aims to reduce the economic, social and personal impacts of injury on individuals and achieve a cost-effective return on levy rates and Government funding.

The rate of fatal and serious injuries decreased in the second half of the year, but we did not achieve our year-end target. A reduction in fatalities from road accidents contributed to the recent trend. There was an increase in estates claiming for fatal injuries. This trend does not reflect an increased level of injury harm but a greater awareness of and claiming for injury-related entitlements.

This year our investment in injury prevention continued to deliver an increase in injury claims avoided. This gives us the confidence to commit further investment in programmes to deliver greater impacts in the long-term. Our long-term strategy includes investing in protective factors[7] for young people.

Increased investment in successful injury prevention programmes

This year we committed to an additional investment in programmes that are effectively reducing injury claims and costs.

In the past four years our RugbySmart injury prevention programme has prevented 25,000 rugby injury claims (target 12,000). In partnership with New Zealand Rugby, this programme has delivered a $4.13:$1 return on investment. In 2019/20 we committed a further $9.5 million to continue the delivery of this successful programme for the next five years.

We also committed a further $13 million for four years to continue the delivery of Ride Forever. Ride Forever is an education programme providing motorcycle riders with the skills they need to ride safely. We have seen 50% fewer injury claims from riders who have completed Ride Forever training compared with riders who haven't. In the past three years 14,000 riders have completed Ride Forever training. Cost savings from injuries prevented have delivered a return on investment of $2.15:$1.

7 *A protective factor can be defined as "a characteristic at the biological, psychological, family, or community (including peers and culture) level that is associated with a lower likelihood of problem outcomes or that reduces the negative impact of a risk factor on problem outcomes".*

We invested in the Government's firearms buy-back scheme

We contributed $25.4 million to the Government's firearms buy-back scheme. The investment was based on international evidence that a firearm buy-back scheme has the potential to reduce firearm-related injuries and fatalities. There has been strong evidence of the benefits of such a scheme since the Port Arthur massacre in 1996. The scheme implemented by the Australian Government saw an accelerated reduction in firearm homicide rates (42% reduction) and suicide rates (57% reduction) in the seven years following the scheme's introduction. We estimate that removing these prohibited firearms in New Zealand will reduce potential claims for firearm injuries by $70.5 million in the next 20 years.

We invested in six new Workplace Injury Prevention Grants

We continue to build strong partnerships with businesses and sectors and invest in injury prevention grants and subsidies. This year we awarded a second round of Workplace Injury Prevention Grants. The focus of these is on strengthening sector leadership and supporting innovative approaches to improving workplace health and safety for Māori, Pasifika and migrant workers. These workforce groups currently suffer a disproportionate number of injuries and fatalities. The grants are part of our $22 million injury prevention incentive programme for businesses over the next five years.

We adapted our approach to injury prevention in response to COVID-19

Several of our planned injury prevention programmes were unable to be delivered due to the COVID-19 pandemic and lockdown. We worked closely with our injury prevention partners to adapt the way we delivered programmes during this period.

International evidence shows that domestic violence increases during a national emergency. Throughout the lockdown we worked with the Joint Venture Business Unit, Oranga Tamariki, the Ministry of Social Development and the sexual violence prevention sector to run a media campaign to keep children safe. This included working with providers for our Mates and Dates healthy relationship education programme, who contributed their expertise to help mobilise communities.

We supported Le Va with its *#catchyourself: Respect your Bubble* campaign during the lockdown. Aimed at supporting the Pasifika community, the campaign was designed to support people who found themselves feeling irritable, frustrated, anxious or worried during the lockdown. Its primary objective was to help people maintain healthy and respectful relationships in their bubbles. Le Va provided people with a comprehensive suite of resources that were culturally appropriate and evidenced based.

We delivered the *Bubble Life* campaign to reassure New Zealanders that we were still here during the national lockdown, helping with injury prevention and providing care and support should things go wrong. We monitored injury trends during the lockdown and shared key injury prevention messages with New Zealanders to help them avoid injury and the emergency room. During the lockdown the campaign achieved record levels of engagement.

We adapted how we delivered the *Live Stronger for Longer* community strength and balance classes. These classes are an important part of preventing injuries from falls. We worked with TVNZ and other health partners to bring *Healthy for Life* to people in the lockdown. The adapted programme helps the elderly to work on their strength and balance. We promoted the programme in multiple channels and our *Live Stronger for Longer* website featured an 'exercise safely at home' page with video and exercise content and links to *Healthy for Life* on demand.

Building the foundation for new prevention programmes

This year we invested in capability and systems to apply advanced analytics and behavioural insights to the development of new programmes.

Predictive analytics allows us to identify people likely to suffer future injuries based on previous injuries. With this information we can identify and customise appropriate interventions based on individual risk profiles. This means we can provide relevant injury messages where a customer is likely to suffer frequent injuries in the future or likely to suffer an injury that will have significant impacts.

In the coming year we will test the effectiveness of these tools to connect people with programmes to reduce injuries.

We also completed research to understand the underlying attitudes and beliefs driving behaviour that contributes to injury risk. We will apply this to a national programme designed to reduce injuries. Similar programmes delivered in other countries have demonstrated reductions in serious injuries and hospitalisations.

Future direction

We continue to evolve our injury prevention investments and benefit realisation, recognising the different lengths of time it takes to prevent injuries in different contexts.

We continue improving initiatives that are already working for injuries related to falls and road, sport, treatment and workplace safety.

We are committed to developing new prevention approaches designed and delivered by Māori, for Māori.

We are expanding our scope and evolving our approach to preventing re-injury. This includes predicting who is most at risk, intervening at key life stages and reducing the burden of intentional harm.

We are increasing our focus on primary prevention, investing in protective factors during important development life stages for people aged 0–25 years.

TABLE 1: TABLE 1: 2019/20 INJURY PREVENTION ACHIEVEMENTS

Objective	What we set out to deliver	Result
We use analytics to target our injury prevention programmes and increase the impact of our efforts.	We will have implemented a new approach to using data and analytics for injury prevention. This will help predict injury and draw insights to better target and focus interventions increasing the likelihood of achieving positive returns from investment.	Achieved
We design for the client, creating sustained behaviour changes.	We will have implemented a new approach to investing in injury prevention where we co-design and deliver programmes with our customers and partners.	Achieved
We increase prevention effectiveness by partnering with capable, like-minded organisations.	We will have continued to evolve our existing injury prevention partnerships (particularly in the areas of workplace safety and improving road safety) while developing new partnerships where appropriate. Together with our partners, we will have designed and delivered initiatives in the areas that have the greatest impact on reducing injuries.	Achieved
We extend our reach by working closely with communities.	We will have implemented a new operating model that, alongside our existing community injury prevention approach, allows us to develop our injury prevention programmes for and deploy them to a broader cross-section of the New Zealand population.	Achieved
	We will have piloted a new model for partnering and funding community injury prevention with, and for, Māori in Tairāwhiti	Achieved
	We will have increased our ability to work with Māori to deliver effective injury prevention initiatives.	Achieved
Our injury prevention interventions contribute to a reduction in the OCL.	We will have implemented a new approach to investing in injury prevention to better balance benefits, costs and risks and, where appropriate, assess the claim numbers and social economic returns from our investment.	Achieved
	We will have continued our existing investments, focusing on the areas with the greatest liability. We will also have identified and understood strategic opportunities to invest in new areas, including: re-injury prevention, alcohol harm reduction, intentional self-harm, family and sexual violence, serious road injuries, and childhood wellbeing.	Achieved
	We will have implemented a targeted financial incentives programme that motivates small and medium-sized businesses to continue to improve workplace health and safety performance.	Achieved

Customer outcomes and experiences

Key measures	Actual 2018/19	Target 2019/20	Actual 2019/20	Target met?
Return to work within ten weeks	66.8%	66.5%	65.0%	Not achieved
Return to independence for those not in the workforce	88.9%	86.0%	89.1%	Achieved
Growth rate of the Long-Term Claim Pool	+6.5%	+6.2%	+12.6%	Not achieved
Public trust and confidence	61.0%	65.0%	65.0%	Achieved
Client net trust score	+24.0	+34.8	+31.0	Not achieved
Client net trust score for Māori	+25.0	+34.8	+43.0	Achieved
Provider net trust score	-15.0	-8.0	-14.0	Not achieved
Business net trust score	-23.0	-14.0	-1.0	Achieved

Our drive to achieve better customer experiences continues to be a key focus. It includes the roll-out of our new client-centred approach to case management (NGCM), and how our people rose to the challenge of supporting customers while working from home during the COVID-19 pandemic and related restrictions.

The roll-out of NGCM is the culmination of several years' planning, 18 months of significant testing and promising initial results in client satisfaction and improved health outcomes.

"Absolutely brilliant people... Helpful, passionate, patient, understanding, caring, easy to talk to, intelligent. A big thanks to all."

CLIENT

Our performance

In 2019/20 there was continued significant claim growth prior to COVID-19 Alert Levels 4 and 3. At that time new claims registered were 3% higher than in the previous year and new weekly compensation claims were 5% higher. We experienced ~50% decline in new registered claims on a weekly basis during Alert Levels 3 and 4. After reaching Alert Level 1, new claims registered increased back to pre-COVID-19 levels more quickly than we anticipated. New weekly compensation claims also decreased by ~40% during Alert Levels 4, 3 and 2, picking up again in Alert Level 1.

The sudden enforced restrictions on face-to-face rehabilitation and treatment support, and the reduction in more straightforward and generally shorter-term claims, affected our rehabilitation outcome measures significantly. Prior to Alert Level 4, 66.6% of our clients had returned to work within ten weeks. By the end of 2019/20 this had reduced to 65%. We also exceeded the targeted growth rate of 6.2% in the Long-Term Claim Pool. This 12.6% growth is largely due to a greater number of clients entering the Long-Term Claim Pool, following consistent growth in new weekly compensation claims in recent years, and a decline in short-term rehabilitation rates. In addition, fewer clients returned to independence during May and June compared with 2019, following our decision to continue to support clients through COVID-19. We did, however, return 3,593 long-term clients to independence, compared with 3,662 last year.

We responded to the COVID-19 lockdown by maintaining our six priority activities. This meant we could continue to provide essential support to our customers. During this period we gave providers greater flexibility in delivering their services via telehealth. We also helped our business customers by giving them more time and flexibility to make their levy payments this year, providing relief to businesses coping with the impacts of COVID-19.

"I enquired about financial assistance during the early COVID-19, and was extremely pleased with the speed, friendliness and assistance that I received. Well done to the people involved."

CLIENT

Feedback from our clients at this time was very positive. Many people were surprised that ACC was open for business and could offer support. Our public trust and confidence result of 65% met the target this year. However, our client net trust score was slightly below target. We remain confident that as we continue to deliver the next phases of improvement in our service delivery, we will address this.

Continuing our transformation pathway to improved service delivery

Since July 2019 we have been rolling out a new, more customer-focused approach to supporting our clients when injured. The implementation of NGCM means there are more ways for clients to access support from us. These changes to simplify our processes are aimed at enabling consistent service delivery and making us more responsive, transparent and easier to deal with.

These improvements include:

- providing clients with a new online portal (MyACC for Clients) to access information, apply for support, change their details and communicate with ACC. This can be done without going into an office, filling in forms or even making a phone call. Since July 2019, 16,000 clients have logged on to MyACC for Clients, completing 3,943 applications for weekly compensation and 4,795 applications for other supports
- phase two of our new client payments system, which means our clients now benefit from same-day entitlement processing, ensuring we can meet their needs in real time.

Throughout the roll-out of NGCM, feedback from our people and clients has remained very supportive of the changes. We receive daily feedback from our clients through a Heartbeat survey, which is overwhelmingly positive. We plan to complete the roll-out by the end of September 2020.

> **"The service was fast, efficient & thanks to the MyACC app, I could reach out to more options of support. Thank you for caring ACC."**
>
> CLIENT

Making life easier for businesses

In the past 12 months we have continued to improve the experience for our business customers. We focus on partnering with businesses to provide them with peace of mind that they and their people are safe and supported through injury and return to work.

We are increasing our engagement with business customers, particularly through digital channels. We have improved our targeted communications via proactive email campaigns providing customers with important ACC information. These communications include advice on workplace health and safety subsidies that customers might be eligible for, and when they are due refunds.

Since our digital service, MyACC for Business, was released, 490,000 business customers have used the platform. This is a 27% increase on 2019/20. MyACC for Business now provides services to more than 290,000 active levy payers, either directly or via accountants or advisors.

In line with the Government's response to COVID-19, our focus has been on supporting the needs of customers vulnerable to the impacts of COVID-19. We are supporting our business customers through the provision of financial relief and levy invoice payment options. We paused ongoing levy invoicing and delinquency and debt collection activity during the COVID-19 lockdown period. We developed online tools for customers to use to engage with us on their levies, including an ability to request account holds and opt in to invoicing. We sent notifications to customers due refunds and let more than 7,000 business customers know about the support available to them when they missed payment instalments.

Partnering with our providers

Our Health Sector Strategy sets out our vision to deliver radically better outcomes for New Zealanders, particularly for Māori.

We continue to develop proof-of-concept trials and test the benefits of how we work with providers to support quicker and more effective recoveries for our clients. One of these successful trials allowed clients to access high-tech imaging services via general practice, and this is now being scaled nationally. One of our delivery partners won the 2020 Primary Healthcare Award for innovation in this work. We are also now progressing with a larger-scale initiative, Escalated Care Pathways, which seeks to test the purchasing of bundles of care from multiple disciplines to achieve improved client outcomes.

We aim to deliver better-value care by shifting to an outcomes-based approach. The health outcomes framework we are developing will enable us to be clear on the health outcomes we are seeking for our clients and support us to confirm we are delivering high-value care. We are engaging with clients, providers and the wider health sector to ensure the framework reflects the full spectrum of health care (from prevention to rehabilitation) and captures what matters to these stakeholders.

Linked closely to the health outcomes framework, we are using data and insights to support strategic choices on where and how we can intervene in the health system.

Following the deadly Whakaari/White Island eruption, we provided additional funding to district health boards to cover the costs of providing burn services to injured people.

We have worked closely with government agencies, particularly the Ministry of Health, to support a consistent cross-government approach during COVID-19. We share many dependencies, and one key concern is where we share the same providers and workforces. In response to COVID-19, we took steps to maintain provider sustainability, including:

- enabling a range of providers to deliver telehealth services where clinically appropriate. We enabled remote claim lodgement and weekly compensation extensions
- reducing compliance requirements wherever possible to ease the administrative burden on providers.

We continue to work with the provider community to ensure that clients continue to receive necessary support as the COVID-19 response moves through different phases, and that a strong and responsive provider sector will remain in place once it passes. We will make telehealth services a standard option with most of the services where they were introduced during the COVID-19 response.

Improving equity for Māori

We have established a kaupapa Māori commissioning programme of work to improve access and outcomes for Māori clients, to strengthen the Māori workforce and to support Māori communities. This work initially focuses on kaupapa Māori services supporting clients with sensitive claims and clients with serious injuries. This programme of work responds to ACC's Te Tiriti o Waitangi obligations and commitments to Māori.

We tested a Whānau Ora model for the delivery of home-based disability support services. The services offered in the Whānau Ora Mo Ngā Whānau Haul Pilot were kaupapa Māori. By working in partnership with clients, whānau and their support networks, holistic Whānau Ora outcomes were delivered, allowing whānau haul clients and whānau to receive high-quality support and rehabilitation services in their homes and communities.

The evaluation findings were positive and are contributing to the development of an investment framework that enables ACC to make good decisions on which initiatives to support that are successful in achieving health equity for Māori.

Resolving issues

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

Where an issue cannot be resolved, Fairway Resolution Limited and the Independent Complaint and Review Authority Limited provide independent review and dispute-resolution services. We also partner with Talk – Meet – Resolve, which provides conciliation where all parties agree that an independent conciliator can help. The accessibility to conciliations or reviews has improved as we now provide a video conference as an alternative to attending in person. This was particularly well received by customers and advocates during Alert Levels 4 and 3. It also meant we managed to avoid any backlogs leading to service delays.

In September 2019 we introduced a Navigation Service, giving customers access to free and independent advice and advocacy. Agencies delivering this service are Way Finders, the Whānau Ora Commissioning Agency and the Workplace Injury Advocacy Service. Currently these agencies are assisting approximately 200 ACC customers per month.

Engaging differently with Aotearoa

In 2019, research told us that almost half of New Zealanders and nearly 60% of Māori had low awareness of ACC's role and services. This meant some people were likely missing out on the help they needed when things went wrong. Increasing awareness and understanding of ACC is a critical step to becoming a valued and trusted organisation. People need to know us before they can trust us. Ultimately, increased awareness and understanding of ACC should positively affect the health outcomes of the people of Aotearoa.

To address this we began a national public awareness campaign on multiple channels, covering the range of things we are involved in across injury prevention, care and recovery. We focused on our work in water and sport from January to March 2020.

This approach was informed and evaluated by customers including Māori and Pasifika, from a range of ages, life stages, socioeconomic backgrounds and locations, and resonated positively with our customer groups.

Engaging with Māori is integral, and we designed the campaign based on the premise that what works for Māori works for all.

During the COVID-19 lockdown we created the *Bubble Life* campaign, refer ***page 19***, which focused on telling Aotearoa we were still here, helping with injury prevention in people's bubbles and providing care and support if things went wrong.

In June, with New Zealand entering COVID-19 Alert Level 1, we introduced public messaging to help Aotearoa avoid injuries in the return to sport, where the usual pre-season training and conditioning had been interrupted by the COVID-19 lockdown.

In this six-month period our messages were accessed 19 million times across Aotearoa. This meant record levels of engagement with our social media messages and over half a million clicks to more detailed information on the ACC Newsroom on our website. This engagement contributed to a positive uplift in our public trust and confidence result. This increased from 61% in December 2019 to 67% in June 2020. The annual result of 65% met the target.

TABLE 2: 2019/20 CUSTOMER OUTCOMES AND EXPERIENCE ACHIEVEMENTS

Objective	What we set out to deliver	Result
We engage with our clients in ways that add the most value to their recovery and deliver the most appropriate client outcomes.	We will have rolled out our new case management model. This will improve our clients' experiences and return-to-independence outcomes, increase internal efficiency and enhance employee engagement.	Achieved
	We will have developed a health outcomes framework that defines our approach to classifying and measuring health outcomes.	Achieved
We actively make it easier for others to work with us.	We will have implemented new ways to make non-weekly-compensation payments more consistent, timely and accurate. This will have included providing clients with more and better options to manage their income replacements with greater transparency.	Achieved
	We will have continued to increase the range of digital self-service options for our customers. This will have given our customers more choice in selecting the options that work best for them and increased the efficiency of working with us.	Achieved
	We will have ensured that our business levy management and invoicing system (Juno) delivers the expected efficiency benefits to our customers and improved customers' experiences.	Achieved
	We will have consulted on a workplace incentive programme that recognises business customers that proactively reduce the risk of harm to workers and rewards them with levy discounts.	Not achieved
	We will have a real-time feedback system to understand the experiences of our customers (clients, providers and business customers) at key interaction moments. This system will enable us to respond quickly to customer feedback and suggestions.	Achieved
	By starting to tell our story, we will have begun to demonstrate the value we offer to New Zealand and our customers.	Achieved
	We will have been working collaboratively alongside the Ministry of Business, Innovation and Employment and the Treasury to deliver the Government's Accident Compensation policy work programme priorities.	Achieved
	We will have implemented a customer strategy to ensure that customer-centric approaches are being applied at key decision points to achieve the right customer experiences and outcomes.	Achieved
We achieve improved experiences and outcomes for Māori.	We will have delivered an evidenced-based cultural competency workforce programme, enhancing our people's cultural literacy levels and lifting our ability to engage with all our customers.	Achieved
	We will have applied the learning from our Māori access pilot to create a set of essential service experiences for Māori customers.	Achieved
	We will have implemented a Māori Customer Advisory Panel, enabling Māori customers to have a voice into ACC.	Achieved
	We will have delivered a marae-based engagement programme to increase awareness of ACC among Māori customers.	Not achieved
	We will have developed kaupapa Māori pathways and approaches to enable kaupapa Māori providers to deliver services to our customers.	Achieved
	We will have continued the active measurement and internal reporting of Whāia Te Tika performance measures. This will have included the development of a Māori access performance measure for our Service Agreement 2020/21.	Achieved

Continued …

Objective	What we set out to deliver	Result
We adopt new ways of working with providers.	We will have multiple prototypes in place delivering new models of integrated pathways of care for clients with back, shoulder and knee injuries. These client-centric approaches will improve outcomes, reduce the need for surgical interventions, enable faster returns to work, and reduce the incidence of re-injuries.	Achieved
	We will have developed a framework that establishes a strategic conceptual relationship with GPs. This will enable the commissioning of future primary health care services.	Achieved
	We will be working with providers to trial new methods of purchasing services to deliver better outcomes for our clients. These will include a case-mix approach for non-acute rehabilitation, and pathways of care for active rehabilitation.	Achieved

Financial sustainability

Key measures	Actual 2018/19	Target 2019/20	Actual 2019/20	Target met?
Change in average treatment cost per injury	+5.7%	≤4.5%	+6.4%	Not achieved
Average care hours per serious injury claim	1,350	1,370	1,393	Not Achieved
Actuarial movement	+1.56%	Within + / - 2%	+0.48%	Achieved
Investment performance after costs relative to benchmark	-0.82%	+0.30%	+0.16%	Not achieved

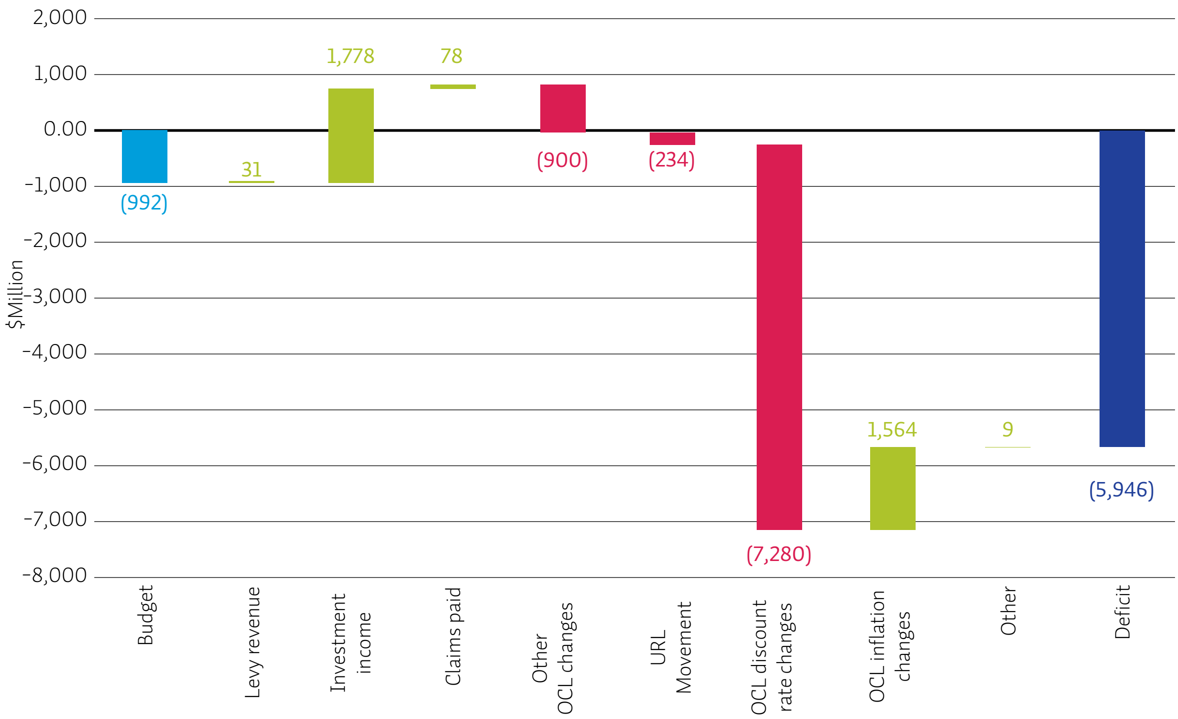
What happened this year

Similar to 2018/19, the Scheme recorded a result heavily affected by external economic factors outside ACC's control. A deficit of $5.9 billion was recorded versus a budgeted deficit of $1 billion. The value of the OCL fluctuated throughout the year, especially in the second half, as financial markets reacted to the impacts of COVID-19. Falling interest rates partly offset by changes in inflation rates contributed $7.3 billion to the deficit. Both of these factors are outside ACC's control. The deficit had a significant impact on the funding ratios of ACC's Accounts.

It is important to note that the large deficit, due to the movements in the OCL, is not a cash loss. Rather it is a revaluation of the future cost of claims already made.

The reconciliation below provides a breakdown of the components that contributed to the result versus budget expectations, which are discussed in the following sections.

GRAPH 1: 2019/20 FINANCIAL PERFORMANCE COMPARED WITH BUDGET



Continuing decline in interest rates

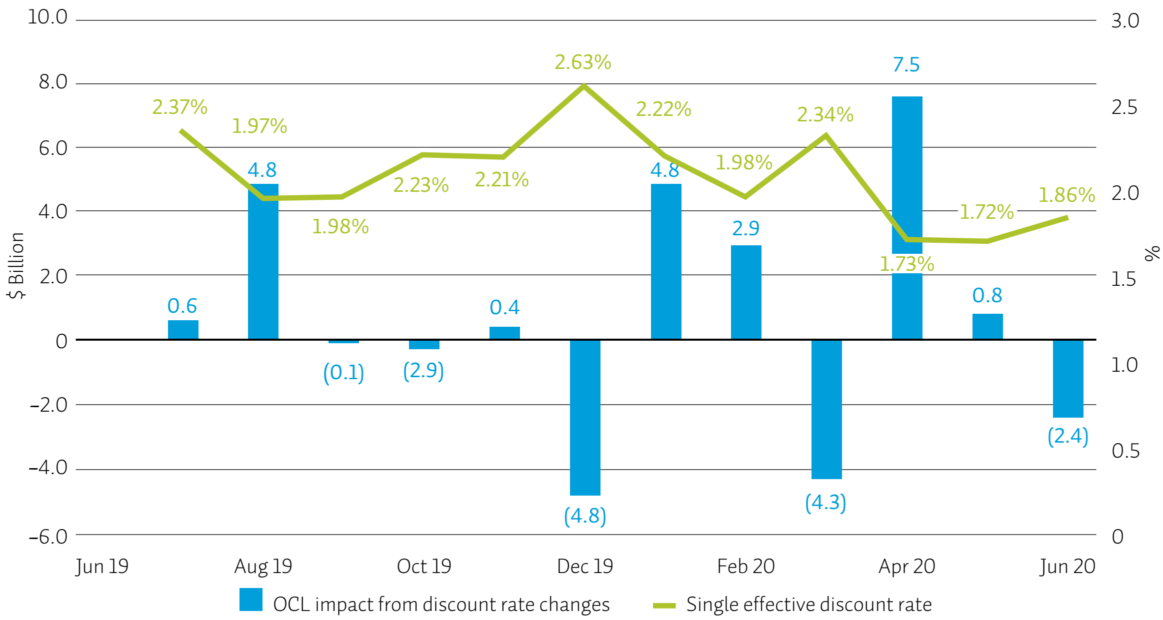
Movements in interest rates are outside ACC's control, yet have an impact on two key areas of our financial performance: the OCL and investment returns.

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

This year the prescribed Treasury discount rates fell significantly and resulted in a decrease in the single effective discount rate from 2.42% to 1.86%.

This movement alone increased the value of our OCL by $7.3 billion. The chart below highlights the monthly impacts of the discount rate changes on the OCL and shows the increased volatility from December 2019 onwards due to COVID-19.

GRAPH 2: MONTHLY DISCOUNT RATE IMPACTS ON OCL VALUATION



Our investment portfolio generated $3.4 billion of income before investment costs, $1.8 billion above budget. This represents a weighted average return for the year of 7.59% (after costs) compared with a 3.98% budget.

This higher-than-budget return is approximately equal to the revaluation gain from bond exposures and from decline in interest rates, providing a partial hedge against the impact this decline has on the valuation of the OCL. Bond yields fell as interest rates dropped throughout the year.

Approximately 60% of our investment portfolio is invested in bonds and other fixed-interest instruments. These investments benefit from a decline in bond yields, providing a partial hedge against the impact this decline has on the valuation of the OCL.

Our investment strategy cannot fully protect us against these interest rate impacts on the OCL. There is a large duration mismatch between our assets and liabilities. Our OCL extends up to 100 years, with the average duration of a claim around 20 years. This far exceeds the duration of available New-Zealand-dollar investments, where our average fixed-income investments have a duration of around ten years. These are supplemented to a degree by investments in areas such as property and infrastructure, but the mismatch remains.

This year we had bond revaluation gains from falling bond yields, but the decline in interest rates continues to reduce the future returns we can expect from our bonds and other fixed-interest instruments. When we generate higher-than-forecast investment revenue this can be considered to be subsidising levies. Therefore lower investment returns, over time, and could contribute to future levy pressures.

Outstanding claims liability (OCL)

During the year the OCL rose $8.1 billion, from $53.3 billion to $61.4 billion. As noted above, the main reason for the increase was a fall in interest rates, an impact of $7.3 billion. The OCL is, however, also affected by several other factors:

- Inflation rates
- The claim volume and claim costs experience
- The maturity of the Scheme
- Legislative changes.

The OCL also changes based on estimates of future claim costs on existing claims. The OCL models of future claim behaviour for existing claims are updated every year to reflect recent experience. This includes changes to the average amount paid per claim, the number of new claims and how long clients require assistance. This year we experienced a net $257 million increase in the OCL due to claims experience and modelling changes. The largest movements were from:

- weekly compensation, which contributed to over half of this strain. The deteriorating rehabilitation performance resulted in higher-than-expected weekly compensation claim volumes and higher-than-projected average costs per claim
- social rehabilitation – non-capital and sensitive claims, which also contributed to the strain.
- due to lower than projected average costs, elective surgery OCL reduced during the year.
- COVID-19 in the June 2020 quarter, when the claims experience was significantly lower than projected; this is reflected in the final OCL valuation. The lower-than-expected claims experience resulted in a $394 million OCL release.

The OCL also grows with inflation and population growth as more clients enter the Scheme than leave. The impact of the Scheme growth this year was $2.2 billion.

OCL sensitivity

As the OCL grows in size, so too does the potential movement in the OCL from changes in the key assumptions underpinning the valuation. For example, as at 30 June 2020, if discount rates had been 1% lower there would have been a $14.5 billion increase in the OCL. A 1% increase in discount rates would have resulted in a $10.3 billion decrease in the OCL.

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

Unexpired risk liability (URL)

As at the end of the financial year, we have received or accrued levy revenue for cover periods that extend beyond 30 June 2020, referred to as an unearned levy liability (ULL). This revenue will be used to fund claims costs we expect to incur during the balance of the relevant cover period in the next financial year. Where the estimated lifetime costs for these claims exceed the ULL, including a risk margin, we are required to recognise a URL.

This year the URL increased by $266 million. This increase was due mostly to changes in economic assumptions ($158 million) and claims experience and modelling changes ($108 million).

Levy revenue

Levy revenue in the levy-payer-sourced revenue accounts decreased by $38 million, (1.3%) to $3 billion. This was $26 million above budget. The higher-than-budget result was due to higher liable earnings in the Work and Earners' Accounts and an increase in liable earnings in higher-risk-rated industries. Greater economic activity than last year reflects more people in the workforce, and higher salaries and wages generating the increase in liable earnings.

The Motor Vehicle Account aggregate levy rate remained at $114 per vehicle, but revenue in this Account increased 4.5% to $444 million compared with last year. Licence fee revenue exceeded that of the previous year, but petrol levies reduced as a result of lower consumption during the COVID-19 lockdown.

Investment returns

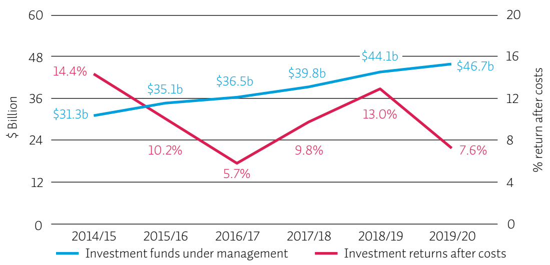
ACC holds investments to meet the future costs of injuries that have already occurred. In a challenging environment ACC's reserves portfolios delivered a strong result, with a weighted average return of 7.59% after costs ($3.4 billion). While we outperformed our market-based benchmark after costs by 0.16%, we missed our 0.30% outperformance target.

We aim to outperform our benchmarks over time by a margin that is around double the costs of managing our investments.

The investment results helped us to grow our investment portfolio to $46.7 billion.

For more information on our investment performance, refer to the ACC Investments section on ***page* 62**.

GRAPH 3: HISTORICAL FUNDS UNDER MANAGEMENT AND INVESTMENT RETURNS



Claim volumes and costs

Claim costs increased by 6.0% to $4.64 billion (compared with a 9.1% increase in 2018/19).

Our claim costs have three main drivers:

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

We budgeted new claims to grow at 3.0% in 2019/20, but experienced an 8.0% (1.86 million claims) decrease due to the COVID-19 restrictions. During the lockdown period we received significantly fewer new registrations and new weekly compensation claims related to work, travel, sport and leisure activities. Medical treatment services experienced a significant drop in volumes from closures of facilities, reductions in new claims and clients not presenting for treatments.

Prior to the lockdown there was higher growth in some services

Prior to the COVID-19 restrictions, claims for some rehabilitation and treatment services were growing faster than new registrations.

Physiotherapy treatment was growing strongly. The number of clients accessing radiology and high-tech imaging services increased, led by a higher clinical use of diagnostic imaging and guided injections.

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

Awareness of the impacts of concussion and traumatic brain injury also continues to grow through our injury prevention partnership programmes. We expect that early detection and treatment can reduce the long-term impacts, resulting in better outcomes for clients.

As a result of the ageing population of clients, there has been an increased use of residential support services.

Utilisation of treatment and rehabilitation services dropped during the lockdown

On 26 March 2020 New Zealand went into lockdown in response to the COVID-19 pandemic. During this time medical treatment services experienced a significant drop in volumes from closures, reductions in new claims, and clients not presenting for treatment. Rehabilitation services were affected to a lesser extent, with services such as personal support remaining at near-normal levels. The enablement of telehealth services also allowed providers to continue delivering levels of support to these clients where appropriate.

Once the country was at Alert Levels 2 and 1, treatment and rehabilitation services began to move back to more usual levels.

Weekly compensation

We budgeted new weekly compensation claims to grow at 5.0% in 2019/20. New weekly compensation claims decreased by 3.7% to 80,768, due to the lockdown.

Despite the decline in growth, weekly compensation costs grew by 13.1% during year, caused by:

- a decrease in rehabilitation performance resulting in clients receiving weekly compensation for longer
- further deterioration during the lockdown with automatic extensions of medical certificates as well as some clients being unable to return to work until the alert levels were reduced
- average client wage rates being higher than expected, resulting in higher average daily rates.

Wage inflation pressure

There is continued pressure from wage inflation in the health sector due to changes to the Multi-Employment Collective Agreements and legislative sources. These changes occurred via union pay negotiations within the support worker, nursing, allied health and medical specialist sectors.

Other changes to legislation, policy and our approach

Free GP visits were expanded to include under-14-year-olds, and co-payments for Community Services Card holders were reduced from 1 December 2018. These had part-year impacts on our 2019/20 costs.

We expanded the range of independent advice available to clients. Our new Navigation Service funds three independent agencies to provide free advice and advocacy to clients and help clients navigate ACC.

The Escalated Care Pathways prototypes commenced, testing different operative and rehabilitation pathways delivered by a group of providers working with patients towards better outcomes.

We contributed $7.7 million to stabilisation funding for road ambulance services. The Government agreed to provide one-off stabilisation funding in Budget 2019 to address the immediate risks to the financial positions of road ambulance providers, while advice on the future direction of ambulance services was prepared.

We contributed an additional $14.5 million via the Public Health Acute Services agreement to fund the acute treatment costs of the victims of the Whakaari/White Island eruption.

Changes in funding policy

During 2019 changes to the ACC funding policy were agreed by Cabinet. Additionally, Non-Earners' Account appropriation increases for 2020/21 and subsequent years were agreed during Budget 2020. The changes aimed to improve accountability and transparency by reflecting the true cost of accidents; to signal the Government's commitment to the longevity of the Scheme by addressing the funding gap in the Non-Earners' Account; and to raise future living standards by improving intergenerational equity. The new funding policy was gazetted on 8 July 2020.

The key changes to the funding policy and other funding settings were that:

- for the levied Accounts, the risk margin included in the valuation of the liability is now removed when calculating the sufficiency of assets to cover the OCL. The change in policy has the effect of reducing the assets required to be held to cover the OCL by $6.4 billion
- the two-yearly levy cycle was moved to a three-yearly cycle from 2021/22
- the Non-Earners' Account funding was increased to meet the value of new year claim costs ($285 million in 2020/21) to avoid further reductions in the funding ratio
- the Non-Earners' Account cost pressures from 2021/22 are to be treated as forecast adjustments, with a 7.5% year-on-year cap on these increases.

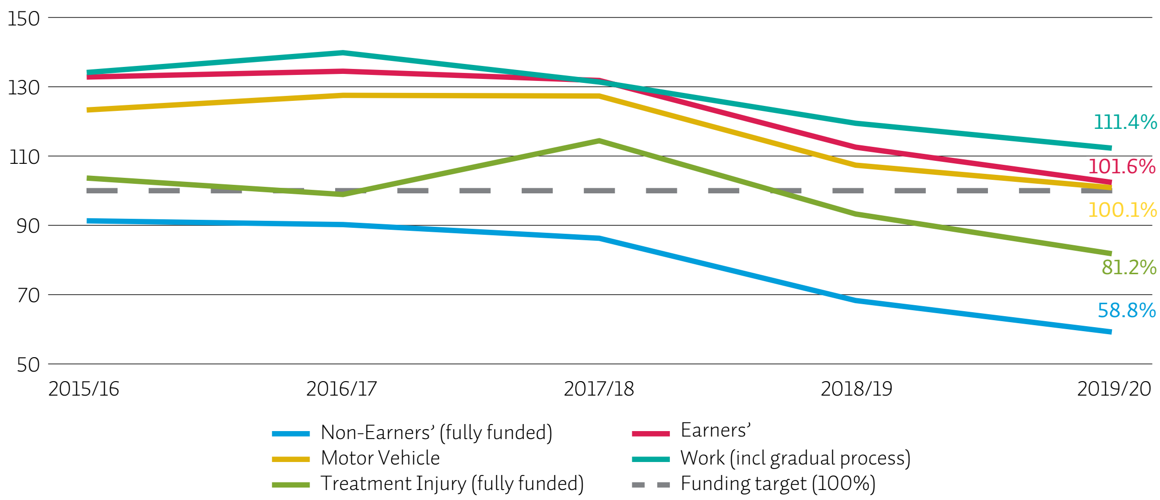
Funding ratios and the funding gap

Funding ratios represent the extent to which applicable net assets cover the value of what is intended to be the fully funded portion of the OCL (excluding the risk margin) for each Account.

Each ratio is presented as a percentage, calculated by dividing total assets, less payables, accrued liabilities, provisions and the unearned levy liability, by the OCL (including an additional liability for work-related gradual process claims[8] not yet made) excluding any risk margin. The funding ratio for the Work Account excludes those claims and assets from the Accredited Employer Programme that the Work Account does not aim to fund.

The funding ratio projections are based on ACC's four-year financial forecasts. These forecasts include an assumption that appropriation and levy rate changes recommended by the ACC Board to the Government will be approved.

GRAPH 4: FUNDING RATIOS BY ACCOUNT



As a result of the deficits incurred in each of the Accounts in 2019/20, the funding ratios of all Accounts have deteriorated from the 30 June 2019 levels.

The projections for the Earner's and Motor Vehicle Accounts are for deteriorating funding ratios until 2023/24, even with levy increases being approved. The Work Account is currently over funded despite having a new year claim costs gap (see the next section).

The Non-Earners' Account's funding ratio is forecast to increase as the level of appropriations begins to exceed the new year claim costs, reducing the funding gap[9].

8 *Refer to Note 2(B) in the financial statements for ACC's accounting policy for these claims.*

9 *The funding gap is the difference between the applicable assets available to fund the OCL (excluding risk margin) by account.*

$m	Motor Vehicle	Work	Earners'	Treatment Injury	Non-Earners'	Total
	Net assets / (liabilities) to funding gap reconciliation – 30 June 2020					
Net assets/(liabilities)	(2,241)	1,337	(1,952)	(3,877)	(9,225)	(15,959)
Remove PAYG[10] portion of OCL				1,753	5,017	6,770
Include WRGP IBNR[11] off balance sheet OCL		(1,782)				(1,782)
Remove URL	264	374	832			1,471
Remove risk margin	1,987	1,182	1,305	900	1,045	6,419
Funding gap surplus (shortfall)	10	1,111	185	(1,224)	(3,164)	(3,081)
Funding ratio	100.1%	111.4%	101.6%	81.2%[12]	58.8%	
Funding gap as at 30 June 2019 based on current funding policy						
Funding gap surplus (shortfall)	853	1,647	1,166	(371)	(2,016)	1,279

The above table reconciles the differences between ACC's net asset/liability position by Account, and the funding gap in each Account, which is used for the calculation of the funding ratio.

The components of this reconciliation are:

- the removal of the 'pay-as-you-go' portions of the OCL for the Treatment Injury and Non-Earners' Accounts, as ACC does not seek to hold assets to cover the future costs of this group of historical claims
- the addition of the off-balance-sheet OCL relating to work-related gradual process claims incurred but not reported in the Work Account. This element is not included in the balance sheet valuation of the OCL under New Zealand accounting standards, but is included in the calculation of the levy rates in order to fully fund this Account
- the removal of the URL as the levy calculations already take the URL into account
- the removal of Accredited Employer Programme assets from the Work Account for the actuarial calculations, as the Accredited Employer Programme levy is determined separately from the Work Account levy
- the removal of the risk margin in each of the Accounts as, under the new funding policy, it is no longer to be fully funded. This reduces the shortfall by $6.4 billion.

A resulting negative funding gap implies that, as required by our funding policy, the Account has a shortfall in assets to cover the OCL we expect to fully fund. This gap is caused by a combination of cumulative shortfalls in levies not covering new year claim costs and the impacts of changes in the valuation of the OCL from economic factors and claims experience. The funding policy seeks to reduce this funding gap through changes in levies and appropriations over a ten-year horizon (except for surpluses in the Non-Earners' Account that are over a three-year horizon).

Despite these large funding gaps, given the existence of, and access to, investment assets and the long-term nature of our liabilities, we can continue as a going concern in the near term. However, a sustained or growing funding gap can lead to the need for greater levy and appropriation increases in the future than would otherwise be needed. This results in possible intergenerational inequities, intended to be minimised by the design of the funding policy.

The comparative funding gap, based on the existing funding policy, highlights that the funding gap deteriorated from a $1.3 billion surplus to a $3.1 billion shortfall during 2019/20.

The following table highlights, by Account, the extent to which levy revenue is expected to cover new year claim costs for 2020/21. New year claim costs represent the current and future year costs that are expected to be incurred for claims made in that financial year.

A negative number implies that levies or appropriations are insufficient to cover the new year claim costs and will result in a contribution to a deterioration in the funding ratio.

10 *Pay as you go.*
11 *Work-related gradual process claims incurred but not reported.*
12 *Funding ratio includes both Earners' and Non-Earners' portion of the Treatment Injury Account*

	New year claim costs gap – levy year 2020/21				
	Motor Vehicle	Work	Earners' (incl Earners' portion of Treatment Injury)	Non-Earners' (incl Non-Earners' portion of Treatment Injury)	Total
New year claims costs gap surplus (shortfall) ($m)[13]	(351)	(206)	(568)	(132)	(1,257)
Current levy rate / appropriations	$113.94	$0.67	$1.21	$1,755m	
Value, in levy and appropriations terms, of the new year claim costs gap	$(88.2)	$(0.19)	$(0.39)	$(132)m	

The indicative levy rate or appropriation impact noted in the above table identifies, based on 2020/21 assumptions, the gap in levy rates from the current levels to cover new year claim costs and to close the 30 June 2020 funding gap. This is an indicative gap and does not constitute changes that would occur. Levy rate changes are based on the funding policy, which could be different and aims to minimise volatility in levy rate changes by smoothing required changes over a ten-year timeframe (or three years for any Non-Earners' Account surplus).

Change in presentation of financial performance

This year we changed the presentation of our financial performance in the financial statements to assist the reader in identifying the components of the results that link to activities over which ACC has greater control. This is represented by the Returns from Insurance Operations. Gains on investments, and losses from changes in discount and inflation rates from economic factors on the OCL and Unexpired Risk Liability (URL), are segregated to show their contribution to the overall result. This distinction is incorporated into the consolidated statement of comprehensive revenue and expense (refer to ***page 129***).

Given the long-term nature of the Scheme, the net results for ACC are significantly affected by short-term market and economic factors external to the organisation. These factors are outside ACC's control and can cause significant volatility in the value of our OCL and our investment returns.

13 *The difference, by Account, between levy and appropriations revenue and the lifetime cost of claims in the 2020/21 financial year.*

TABLE 3: 2019/20 FINANCIAL SUSTAINABILITY ACHIEVEMENTS

Objective	What we set out to deliver	Result
We carefully consider the costs of the services we offer to achieve the most appropriate client outcomes.	We will have refined the way our finance team influences our performance management approach, ensuring that we manage the dual focus on the costs and outcomes of the services we provide while increasing our overall effectiveness.	Partially achieved
	We will have standard, effective and easy-to-use systems, controls and processes for non-health expenditure purchasing, up-front approvals and related payment activities.	Achieved
We manage cost and liability growth.	We will have developed a more in-depth understanding of our price and volume cost drivers, including the use of benchmarking. We will be seeking to understand what drivers are controllable and those that are outside our control.	Achieved
We apply the insurance approach when making investment decisions.	We will have continued to develop a deeper understanding of changes in injury causation and associated risk factors during the life courses of individuals. This will have involved our thinking beyond the ACC client experience and used a range of factors (such as interactions with other agencies, changes in earning potential and other demographic factors) to support better prevention, treatment and rehabilitation interventions. We will be working towards monitoring health outcomes and experiences to measure the extent to which people are 'fully' rehabilitated, improving our understanding of the efficacy of our treatment and rehabilitation pathways, and supporting outcomes-based commissioning with providers. Our application of the insurance approach will have taken into account opportunities to achieve synergies between ACC's services and other publicly funded medical and disability services. Any changes made to our approach to treatment purchasing will have considered the impacts on the wider health sector, and improving access and outcomes for clients.	Achieved
We maintain investment performance above benchmarks.	We will have improved the technology environment for our investment function to deliver fit-for-purpose, effective solutions. This will have created an environment for better investment decisions.	Achieved
	We will have worked with the Minister of Finance's office and the Treasury to confirm communication requirements, ensuring that there is an effective line of sight as matters arise.	Achieved
	We will have continued to manage our investments with the objective of obtaining the best possible balance of return and risk.	Achieved
Risk management is embedded across our organisation.	We will be enabling risk maturity across the organisation. We will optimise risk appetite statements' use and reports and will conduct ongoing risk culture assessments and provide ongoing support. This will be supported with updated employee training. Delivering risk maturity will improve the longer-term sustainability of the Scheme.	Achieved

ACC investments

7.72% 2019/20 RETURN (BEFORE COSTS)	13.09% 2018/19 RETURN
10.05% p.a. INVESTMENT RETURNS SINCE 1992	8.75% p.a. BENCHMARK RETURNS SINCE 1992
$1,460 VALUE OF $100 INVESTED SINCE 1992	0.13% COSTS

$46.7 billion

BALANCE OF INVESTMENT PORTFOLIO AT 30 JUNE 2020

The ACC Board, and its Investment Committee wish to acknowledge the outstanding contribution of ACC's former Chief Investment Officer Nicholas Bagnall, who left ACC during 2020 to set up an international funds management company. Over the past 27 years Nicholas was instrumental in the growth of the investment team and was highly regarded in New Zealand and overseas as a world-class investment manager.

Nicholas oversaw the portfolio becoming more diversified and established many of the approaches and philosophies that continue to stand the fund in good stead. During his tenure assets under management grew from $1.05 billion in 1993 to $46.7 billion in 2020. Returns averaged 9.83% per annum during this time, aided in no small part by a long, unbroken sequence of performance exceeding the fund's benchmarks. Under Nicholas' leadership, the ACC investment team was extremely successful in earning investment income that significantly reduced the cost of levies New Zealanders had to pay for accident cover. The ACC

Board sincerely thanks Nicholas for his dedicated service to ACC and New Zealand over this long period.

ACC would like to acknowledge Paul Dyer's appointment to the role of Chief Investment Officer. Paul's bio can be found on ***page 103***

About investments

ACC as a Crown Financial Institution

ACC is a Crown agent and a Crown Financial Institution.

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

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

ACC's investment function is run as a commercial stand-alone activity. The Minister of Finance approves procedures in order for ACC to set expectations for financial practice, but the Minister has no role in ACC's investing decisions. These decisions are made by specialist investment professionals. ACC's Investment Group operates under the delegation of the Board Investment Committee and subject to ACC's ethical investment policy and Investment Guidelines.

About the investment fund

To reduce the risk that future levy payers will have to pay for past injuries, ACC seeks to build an investment portfolio that is designed to meet the future costs of accidents that have already occurred.

Intergenerational equity is an underlying objective of the Scheme. In essence, this means that each population cohort should bear the cost of accidents that happen during the period when it was paying levies. Rising costs (for example, from the pressures of an ageing population, 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.

ACC holds the investment funds in trust for levy payers. The funds 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 the long-term nature of its liabilities and the limited supply of equivalent assets.

How investments fit into the ACC Scheme

Funding

Funding is received by ACC, by Account, in the form of levies and appropriations. ACC must separate the levies received for each Account and invest these by Account, considering the maturity profile of the costs that are expected to be incurred within each Account when making asset-allocation decisions.

Asset allocation

The Investment Group has an Asset Allocation team. The team's high-level objectives are to strike a balance between risk and return, with a principal focus on the asset-liability risk. This considers both the OCL and maximising the use of our investment assets.

Active portfolio management

Levies are allocated to portfolios. The portfolios invest in different categories of investment, such as equity, debt, cash, real assets, private equity and overlay portfolios. Almost all ACC's portfolios are actively managed by the Investment Group, with a portion managed by external asset managers. Active management is an integral part of the ACC investment belief system, as we believe it enhances investment returns.

RESERVES PORTFOLIOS			
NZ fixed income	NZ equities	Private markets	Property & infrastructure
Australian equities	Global fixed income	Global equities	Cash
Overlays[14]			

Important considerations

Many of our clients need help for more than 30 years; this is a primary reason for ACC being a long-term investor. It's why the Scheme considers:

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

Being here for New Zealand also means responding to continually evolving social considerations, such as ethical investing and climate change, when making investment decisions.

14 *Overlays are strategies to manage exposure to different investment markets and to provide protection against factors that influence investment risk. Please refer to* ***page 69*** *for further information on ACC's overlay strategies.*

Long-term objectives

The primary objective of the investment fund is to **cover the long-term cost of accidents** that occur each year. We aim to share this cost fairly across generations to ensure all New Zealanders (and visitors) are cared for into the future.

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

We take ethical investment seriously and aim to incorporate evolving **ethical themes** into investment decision-making, while balancing our fiduciary duty of maximising risk-adjusted returns.

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

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

Themes during 2019/20

Climate and carbon	This year we set an ambitious target of reducing the carbon intensity of our investments in equities by at least 50% by 2029/30, compared to 2018/19 levels. We also excluded companies that generated greater than 30% of their revenue from thermal coal.
Impact Fund	This year we established an Impact Fund. The Fund will align with the Scheme's role in injury prevention and health and safety through a practical and targeted investment approach.
Health and safety	As a significant investor in New Zealand we advocate for New Zealand investee companies to lift their public disclosures of internal health and safety practices. We do this by monitoring their performance and addressing practices we believe need enhancing.
COVID-19	The volatility in investment markets caused by COVID-19 provided opportunities for ACC to invest in markets where we saw more attractive long-term returns being possible. This resulted in a reallocation of funds from our fixed-interest portfolios into equity assets.

How ACC invests

Delivering returns while managing risk

We think about the risk to ACC's overall financial position. This gives us both a long-term and a short-term view.

The long-term concern is to ensure that ACC has sufficient funds to pay the future costs of claims. The primary risk is that the claims liability is not sufficiently matched by the required assets over the long term.

The short-term view is that we want to avoid large swings in levy rates, which may be required to recover the asset balances to align with the funding ratio targets.

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

Allocating our funds

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

Asset allocations differ by Account. The size and nature of claim liabilities are considered together with the assets available. Generally, Accounts with lower funding positions and facing more distant claims tend to have asset allocations more highly weighted towards equities.

Allocating in New Zealand

Allocating funds to different investment markets is directly linked to our objectives and risks. While it is not possible to fully offset all the long-term risks, we allocate funds between investment markets in accordance with our investment policy, which aims to keep these risks at a manageable level. We tend to invest a relatively large percentage of ACC's funds in New Zealand investment markets, particularly fixed-interest assets with a long time to maturity. New Zealand fixed-interest assets match our claims liabilities better than the global fixed-interest markets.

Factors that influence investment risk

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

Reviewing the allocations

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

Investing across regions

We allocate funds between distinct investment portfolios that are focused on different investment markets (global and domestic). We aim to add value both in how we allocate funds between different investment markets and in how the portfolios perform within each investment market.

The investment team actively manages almost all ACC's investments in New Zealand investment markets and the majority of ACC's investments in Australia. As an active manager, the team aims to identify and take advantage of situations where some sectors or securities within their markets are being mis-priced in relation to their risks and prospects. We aim for consistent outperformance and seek to avoid exposing ACC to an above-average degree of market risk.

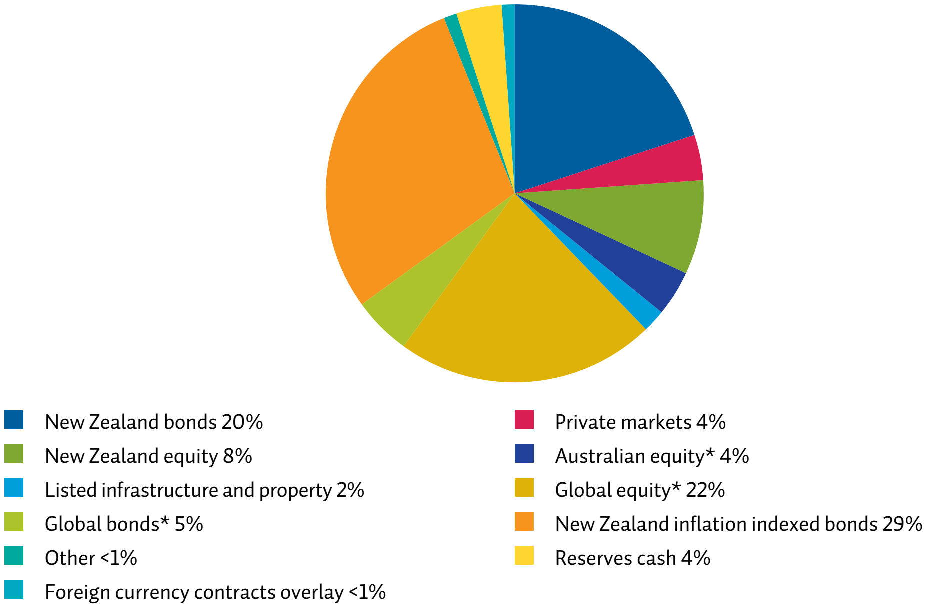
Most of ACC's foreign asset management is outsourced to global external fund management companies. This adds another layer of expertise to ACC's portfolio and allows the team to focus on those areas that best align with our strengths.

Diversification of investments

Different categories of investment have different risk return profiles and add a layer of diversification to the portfolio. The types of investment in which we invest can be found below.

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

GRAPH 5: COMPOSITION OF RESERVES PORTFOLIOS



* *Global Equity and Australian Equity slice includes effective exposure to equity markets obtained through futures contracts. Global Bond slice includes effective exposure to bond markets through future contracts. However, this pie chart has not been adjusted for the effective exposure to bond markets arising from the use of Interest Rate Derivatives as an asset allocation overlay. The manager benchmark effective exposure of Interest Rate Derivatives represented 4% of Total Reserves at the end of June 2020 .*

Overlay portfolios

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

New Zealand interest rate derivatives	We run a New Zealand interest rate derivative overlay to mitigate declines in long-term real interest rates. This overlay, which uses fixed-for-floating interest rate swaps, generates revaluation gains when long-term interest rates decline. Despite this, ACC still has a residual exposure to a decline in interest rates.
Global equity futures	We regularly buy or sell global equity futures to re-adjust ACC's overall exposure to equity markets on a daily basis, as this is operationally cheaper than buying or selling equities. However, when we make a long-term decision to allocate funds in or out of equity markets, we ultimately implement this through the purchase or sale of physical equities.
Foreign exchange forwards	We use foreign exchange forwards and cross-currency interest rate swaps to manage ACC's foreign exchange exposures. ACC's benchmarks specify a level of unhedged foreign exchange exposure, which is significant but is less than our total allocation to overseas markets. Our Investment Group may vary the extent to which ACC uses currency hedging (within predefined limits), such that ACC may have net unhedged foreign exchange exposures that are either higher or lower than this benchmark position.
Global bond futures	We use global bond futures to adjust our overall exposure to interest rates. This can be operationally cheaper than either allocating funds in or out of bond portfolios or making changes to our New Zealand interest rate derivative position.
Managing our exposure	ACC gains credit exposure to counterparties when using derivative transactions like the above. We aim to only use derivatives when there are no equally good alternatives, or when the alternatives would be significantly more expensive for ACC.
Controls	Everything we do is subject to checks and balances. The Investment Committee has approved a set of credit criteria, including credit and portfolio limits for internally managed portfolios. These credit limits are designed to limit exposure to counterparties with a risk of defaulting when ACC seeks high investment returns.

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

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

Investment performance – short term

7.72%	7.42%	10.21%
2019/20 RETURN (BEFORE COSTS)	2019/20 BENCHMARK TARGET	AVERAGE RETURN IN THE PAST 3 YEARS

		2019/20 financial year		Average past 3 years	
	$ million	Portfolio	Benchmark	Portfolio	Benchmark
Cash portfolio	**538**	**1.91%**	**1.20%**	**2.33%**	**1.71%**
Reserves portfolios by asset class:					
Reserves Cash	2,312	1.71%	1.07%	2.14%	1.61%
New Zealand Inflation Indexed Bonds	13,271	8.82%	7.72%	11.07%	10.23%
New Zealand Bonds	9,405	9.11%	8.89%	9.37%	9.11%
New Zealand Equity	3,870	4.14%	6.30%	12.04%	13.45%
New Zealand Listed Property and Infrastructure	1081	-7.36%	-8.29%	8.58%	8.70%
Unlisted Property, Infrastructure and Private Equity[15]	1874	7.34%		12.62%	
Australian Equity	1,983	-1.12%	-1.95%	8.48%	8.37%
Global Bonds	2,033	11.20%	10.06%	9.86%	9.07%
Global Equity	9,762	7.01%	7.09%	11.06%	11.38%
Interest Rate Derivative Overlay[16]	216	0.48%	0.76%	0.43%	0.67%
Equity Futures Overlay[15, 16]	190	0.12%		0.03%	
Bond Futures Overlay[15, 16]	15	0.03%		0.00%	
Foreign Currency Overlay[16, 17]	225	-0.25%	-0.37%	-0.34%	-0.45%
Total reserves	**46,237**	**7.72%**	**7.42%**	**10.21%**	**10.33%**
By Account:					
Earners'	11,104	7.33%	7.02%	9.89%	10.01%
Motor Vehicle	14,334	8.20%	7.99%	10.62%	10.80%
Work	10,973	7.26%	6.77%	9.45%	9.42%
Non-Earners'	4,516	7.82%	7.59%	10.97%	11.14%
Treatment Injury	5,310	8.10%	7.93%	10.82%	11.06%
Total reserves	**46,237**	**7.72%**	**7.42%**	**10.21%**	**10.33%**

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

This table shows investment returns after the deduction of some direct costs such as commissions (brokerage) and costs directly relating to the management of specific property investments. However, returns are shown prior to the deduction of other investment management costs of $59.6 million (including fees paid to external fund managers and the remuneration of ACC's investment staff), which detracted 0.13% from investment returns in 2019/20. ACC's investment returns are shown net of tax, whereas the benchmarks make no allowance for tax. However, as ACC is not liable for tax in New Zealand, offshore withholding taxes paid by ACC reduced the calculated return by just 0.028%.

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

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

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

We outperformed our market benchmark in 2019/20 by 0.3% (before costs). This is primarily because of the aggregate value-add from active management, with our portfolio managers achieving higher returns than their benchmarks.

Short-term investment performance

New Zealand debt	New Zealand long-term government bond yields declined by about 0.7% during the year. This meant higher bond prices. The New Zealand bond market delivered strong returns, close to those of equity markets during the year.
New Zealand equity markets	ACC's investments in New Zealand listed equities underperformed the benchmark index. Investments that detracted from our performance included Z Energy and Sky TV. Relative performance (i.e. compared to the index) also suffered as we held a lower-than-benchmark investment in Fisher & Paykel Healthcare. Fisher & Paykel Healthcare was one of the few companies positively exposed to the COVID-19 pandemic.
Global markets	Global equity markets were particularly volatile during the year but ended up around 3.6% (including dividends and measured in local currencies). With currency movements included the return was 7.1% in unhedged New Zealand dollar terms. Our investments in global equities under performed their benchmarks. There was a range of performance across these portfolios. Generally, we found that managers who were focused on investing in high-quality businesses with good growth prospects performed well, and managers investing in companies that were numerically cheap 'value investing' underperformed. Four of the global equity portfolios outperformed their benchmarks, with three equity portfolios underperforming their indexes and one equity portfolio's returns being effectively the same as the benchmark.
Private market investments	ACC's private market investments generated a 7.34% return in 2019/20. ACC's private market investment activities span property, infrastructure and private equity.
Asset allocations	Our asset allocation had little impact on returns relative to the benchmark. Value added from currency positions broadly offset value lost from other asset allocation deviations.
Australian equity	The Australian equity portfolios all out performed their respective benchmarks, led by a strong performance by the internally managed Large Capitalisation Fund.

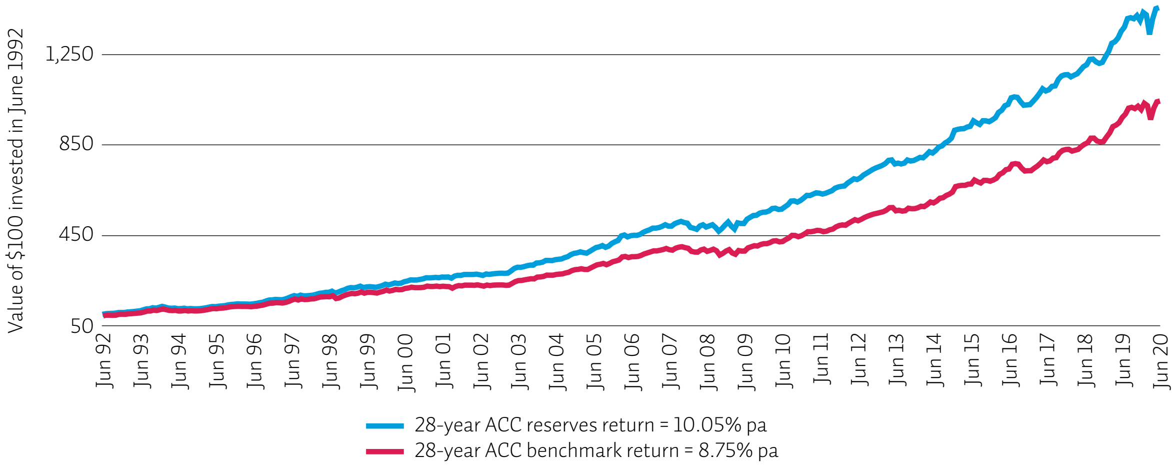
Investment performance – long term

10.05%	$1,460
RETURN SINCE 1992	GROWTH OF $100 SINCE 1992

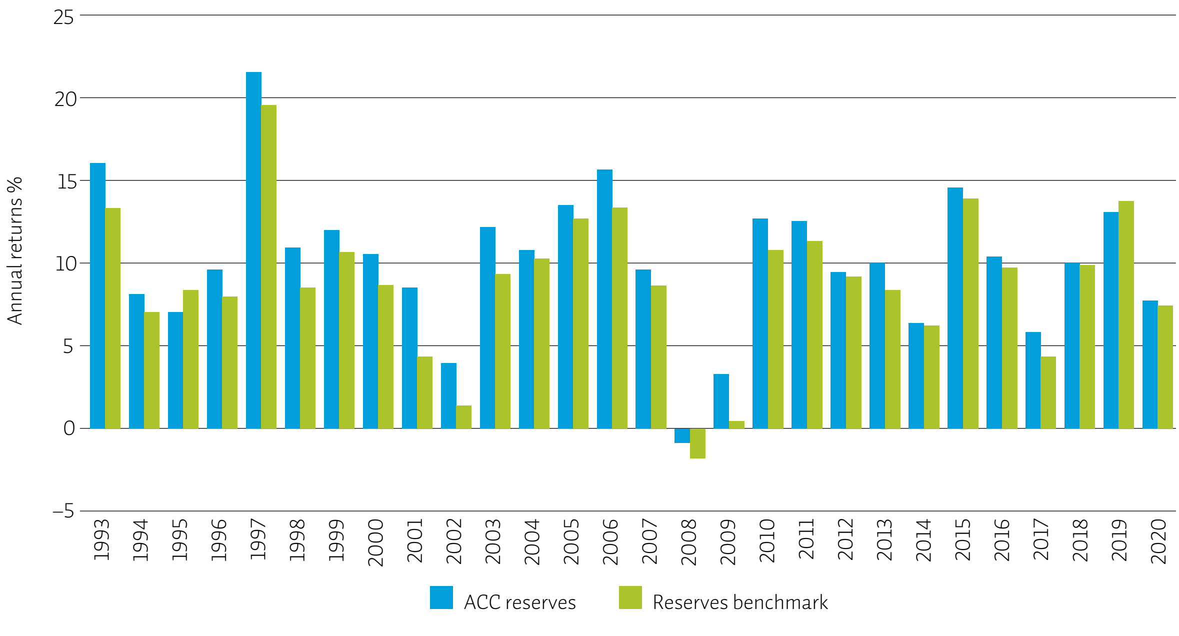
The investment portfolio has outperformed its benchmark for 26 of the past 28 years, including 23 consecutive years of outperformance from June 1995 to June 2018.

The consistency of ACC's historical investment performance has helped ACC's reserves portfolio to **achieve compound returns of over 10% per annum for the past 28 years**, which is higher than ACC could have achieved by passively investing in any feasible combination of significant investment markets in that 28-year period.

GRAPH 6: ACC 28-YEAR RESERVES PORTFOLIO RETURNS

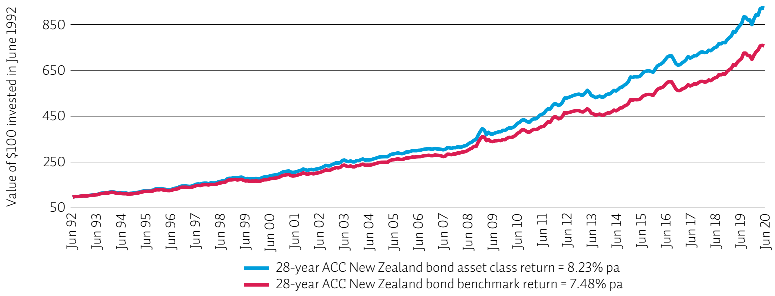


GRAPH 7: ACC FINANCIAL YEAR RETURNS AGAINST BENCHMARK



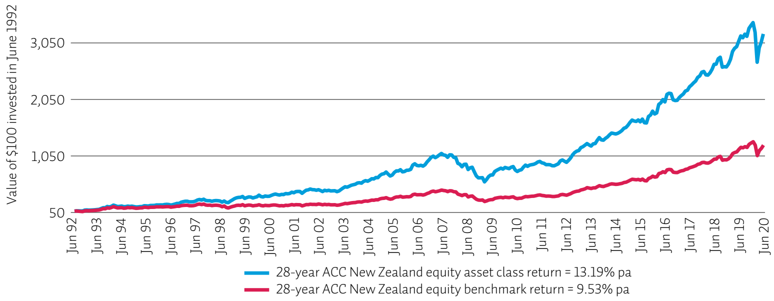
The **New Zealand bond** portfolio has outperformed its benchmark in 26 of the past 28 years.

GRAPH 8: ACC 28-YEAR NEW ZEALAND BOND RETURNS



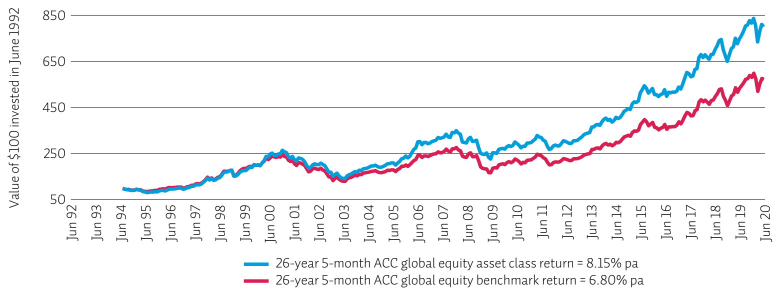
The combined **New Zealand equity** portfolio has outperformed its benchmarks in 22 of the past 28 years.

GRAPH 9: ACC 28-YEAR NEW ZEALAND EQUITY RETURNS



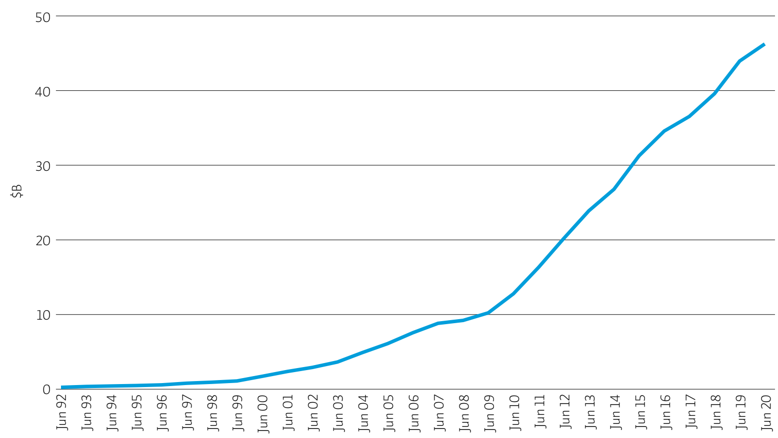
The **global equities** asset class has outperformed its benchmarks in 18 of the past 26 years.

GRAPH 10: ACC 26-YEAR 5-MONTH GLOBAL EQUITY RETURNS



ACC's **reserves portfolio** increased in value by 5.2% from $43.97 billion last year to $46.24 billion at the end of June 2020. The growth is the net impact of investment returns, offset by withdrawals ($1.1 billion) for operational cashflow needs.

GRAPH 11: VALUE OF ACC'S RESERVES PORTFOLIO ($ BILLION)



Investments returns

Future investment returns

In the past few years, expected long-term investment returns have been falling. This has primarily been due to significant falls in interest rates. It is unclear how long interest rates will remain at the current low levels or even if they will continue to fall. Sustained low interest rates reduce future expected investment income.

The likelihood of negative returns

The chance of negative investment returns remains relatively unchanged, in that we expect a negative return about once in every four years. But with lower expected investment returns from fixed-interest assets, there is less of an income buffer to absorb negative shocks.

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

- a rise in bond yields. However, ACC's overall financial position would improve as a result, as the claims liability would decrease by an even greater amount than the decline in investment returns
- a general decline in foreign and domestic equity prices. Using current allocations, a general decline of approximately 4% or more would tend to result in ACC recording negative overall investment returns.

Investing in New Zealand

ACC is one of the largest investors in New Zealand companies. ACC owns about 3% of the market capitalisation of the New Zealand sharemarket. This rises to about 3.9% of the available shares if we exclude strategic shareholding blocks (such as the Government's shares in the gentailers) from the calculation.

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

ACC's investments in individual companies or securities are generally too small to affect total investment returns in a single financial year significantly. ACC holds six equity investments that individually represent more than 0.5% of the reserves portfolio (i.e. greater than $231 million).

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

Most of ACC's top-50 equity investments are held in companies or trusts that are listed on public stock exchanges. Exceptions include the investment in Kiwi Group Holdings and ACC's equity investments in Wellington Gateway Partnership (building the Transmission Gully motorway north of Wellington) and the Northern Express Group (building the Puhoi-to-Warkworth motorway).

The only individual credit exposures representing more than 1% of the reserves portfolio are to the New Zealand Government, Kāinga Ora – Homes and Communities.

None of ACC's direct property investments represents more than 0.5% of the reserves portfolio. ACC's largest property investment is industrial land and warehouse buildings located in Wiri, Auckland. This property is valued at $197.5 million.

TABLE 4: ACC'S 10 LARGEST EQUITY INVESTMENTS

ACC's ten largest equity investments (as at June 2020)	$NZ million
Fisher & Paykel Healthcare	460.85
a2 Milk	398.07
Kiwi Group Holdings (holds Kiwibank)	301.00
Auckland International Airport	262.98
Contact Energy	248.49
Spark New Zealand	237.72
Meridian Energy	222.06
Infratil	201.86
Alphabet	189.22
Kiwi Property Group	175.82

Ethical investment

OUR ETHICAL INVESTMENT POLICY

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

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

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

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

ACTIVITIES IN WHICH WE WILL NOT INVEST

ACC seeks to avoid investing in entities that engage in activities that would be illegal if they occurred in New Zealand. ACC also avoids investing in companies involved in the production of tobacco, recognising that while tobacco is still legal in New Zealand, it is greatly discouraged by New Zealand public policy. ACC will not directly invest in entities that are involved in the following activities:

- Production of tobacco- or cannabis-based products
- Production or sale of anti-personnel land mines that are not compliant with the Anti-Personnel Mines Prohibition Act 1998
- Production, design, testing, assembly or refurbishment of nuclear explosive devices
- Production or development of cluster munitions
- Processing of whale meat
- Production of automatic or semi-automatic firearms for civilian use
- Coal-mining companies that get more than 30% of their revenue from thermal coal.

CLIMATE CHANGE AND CARBON REDUCTION

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

This year alone we set an ambitious target of reducing the carbon intensity of our investments in equities by at least 50% by 2029/30, compared with the 2018/19 levels.

We also excluded companies in our investment universe that generate greater than 30% of their revenue from thermal coal.

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

Organisational health and capability

People

Key measures	Actual 2018/19	Target 2019/20	Actual 2019/20	Target met?
Total recordable injury frequency fate	3.1	6.1	3.2	Achieved
Employee net promoter score	-11	0	+21	Achieved

TABLE 5: WORKFORCE PROFILE AND EQUAL OPPORTUNITIES

3,848 permanent and temporary staff	**67%** of our workforce are women
57% of our Board members are women	**49%** of our senior members (Tiers 3 and 4) are women
40.6 is the average age of our people	**33%** of our Executive (Tiers 1 and 2) are women
12% of our people indicated a disability via survey **15.9%** Median gender pay gap[18]	**78%** European **12%** Māori **12%** Asian **7%** Pasifika **9%** Other Ethnicity profile of our people via survey[19]

We are committed to being an EEO employer through our organisation-wide EEO good employer practices relating to the recruitment, selection, development and retention of all staff.

18 *This measure is based on the Ministry for Women's methodology.*
19 *Ethnicity sums to more than 100% as employees were able to select more than one ethnicity.*

Ensuring health, safety and wellbeing

We are committed to providing a safe and healthy working environment for our employees. Our injury frequency rate during 2019/20 was similar to our good performance during 2018/19 and significantly better than the target for the year. We continued to have strong engagement with our people through our health and safety representatives, wellbeing champions and leaders. We also continued to partner with our providers to support the effective management of health and safety risks.

Enhancing employee engagement

Our employee engagement, as measured via the Employee Net Promoter Score increased during the year and was above the target. The Score was influenced by our positive management of change, especially during our COVID-19 response, and our strong focus on employee wellbeing throughout the year.

A resilient organisation and employees during COVID-19

We demonstrated a resilient and positive response to the challenges of COVID-19 for our workforce. We successfully facilitated our workforce to work from home just prior to Alert Level 4. As well as managing business continuity, we had a strong focus on managing employee wellbeing and effectiveness through this period. We put in place modified leave arrangements and we facilitated safe access to additional equipment from our offices during the lockdown to support our people while they worked from home. We arranged phone consultations with physiotherapists on home office set-ups and we ensured our people understood how to keep themselves safe and well under the new working arrangements.

We also put in place a range of targeted wellbeing resources for our people covering resilience, creative ways to connect, online exercise classes, balancing home and work life and establishing routines and boundaries, as well as providing overall wellbeing checklists and useful contact numbers of support organisations. We held individual and team wellbeing conversations and we conducted two Pulse surveys to hear from our people and respond to their needs.

As part of our return to offices after the de-escalation of alert levels, we continued our strong focus on wellbeing. We also continued to pilot various forms of flexible work arrangements to suit the needs of our employees and customers, so that we embedded the flexibility we demonstrated during COVID-19.

We responded to the changed economic environment by significantly reducing external recruitment, reducing the number of contractors and consultants we engaged and not providing annual remuneration increases to our people.

Building organisational agility

During 2019/20 we made good progress towards our ambition of becoming a continual delivery organisation. We piloted teams working in agile ways to deliver projects and customer improvements. We also provided opportunities for our people to learn about agile practices and we introduced iterative planning practices for several of our programmes of work. As part of this transition, we focused on ensuring a positive experience for the people who were working in this new way.

A workforce that reflects our customers

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

ACC is committed to being a diverse and accessible organisation and is a recipient of the Accessibility Tick, working closely with our partners to improve accessibility in a range of areas. This includes the creation of accessibility standards for new learning materials and the development of a centralised accessibility toolkit. As part of our commitment to accessibility, the members of our Ability@ACC employee network are core members of a working group to guide design decisions on our new builds and property upgrades.

As part of our commitment to create a culturally competent workforce, this year we launched our in-house te reo Māori learning programme, Te Reo Puāwai. Learner feedback was overwhelmingly positive, and we will be offering more sessions to meet demand. We now also open our leader inductions with pōwhiri to formally welcome them to our organisation, and open all our in-house learning offerings with mihi whakatau.

We encourage people to bring their whole selves to work and this year introduced 'dress for your day', a more relaxed dress code to allow people to express themselves more freely. We also trialled a new flexible working policy in parts of ACC and will be looking to combine insights from that trial with lessons learned working during the COVID-19 lockdown.

We also continue to support the goals and activities of our four employee networks (Pride@ ACC Te Whānau Uenuku ki ACC, Ability@ACC Te Whānau āhei ki ACC, a cross- cultural network and Women's Network Te Aka Wāhine) and are currently supporting the creation of two more networks: one for Māori staff and another focused on mental health.

Reducing our gender and ethnic pay gaps

During the year we reduced our median gender pay gap. Our gender pay gap is still wider than desired but that is mostly due to our workforce having an overrepresentation of females in frontline roles and a slight underrepresentation of females in senior levels and some functional areas. The 'by-level' gender pay gaps (gaps within pay bands) are mostly very small and many were reduced during the year. We have taken conscious actions to reduce the gender pay gap in the one grade where the gap is greater than 3%.[20]. We also monitor our ethnic pay gaps. Our overall median pay gap for Māori is 5.95%. Our diversity and inclusion initiatives are expected to help to reduce this.

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

TABLE 6: 2019/20 PEOPLE ACHIEVEMENTS

Objective	What we set out to deliver	Result
Our workforce reflects New Zealand's diversity.	We will have increased participation in employee networks and cultural capability activities, and increased the availability of resources to support inclusion and accessibility.	Achieved
	We will have created an environment, employment brand and talent-sourcing strategies that improve the representation of Māori and employees with disabilities in our workforce.	Partially achieved and ongoing
We have highly motivated, capable leaders.	We will have enhanced our leadership capabilities by increasing the pool of future leaders and mitigating risks through deliberate succession planning.	Achieved
We make our environments and those we have influence over injury-free.	We will have developed the capability of our leaders in relation to risk management and due diligence in health, safety and wellbeing. We will have embedded our employee participation and engagement framework to support health, safety and wellbeing performance.	Achieved
Our people are capable and are proud to be part of ACC.	We will have supported our people to drive their own development through options that align with our desired organisational capabilities and enhanced support of on-the-job development.	Achieved
Our organisation design and our practices facilitate high performance now and into the future.	We will have equipped our people to transition successfully to our new technology and ways of working through effective organisational design, learning, leadership, communication and change management.	Achieved
	We will have increased our organisational change-management capabilities by embedding our change-management framework and increasing the role of our leaders in change.	Achieved

Pride@ACC

ACC's pride network, Te Whānau Uenuku ki, was launched in February 2019. Also known as Pride@ACC, its vision is to ensure that LGBTQIA+ people are safe, visible and valued by ACC. The staff-led national committee meets monthly to discuss issues that may affect people in the LGBTQIA+ community, from engaging with New Zealanders on related issues to providing assistance with employee enquiries. The network also helped to develop a learning module for all ACC staff focused on working with people within the Rainbow community.

Our activities under the seven elements of being a 'good employer' are set out below:

TABLE 7: 2019/20 'GOOD EMPLOYER' ACTIVITIES

Element	What we set out to deliver
Leadership, accountability and culture	• Organisational values and behaviours are reinforced through our 'Tika' programme of leader-led conversations to support ACC's culture and customer experience • Regular Engagement and Pulse surveys to provide leaders with feedback from their people on their effectiveness • Talent-management processes to review leadership effectiveness and identify opportunities to develop further capability • Performance Development Cycle enables the setting of clear objectives for all employees each year, with regular feedback on progress • Me@ACC survey provided great feedback on diversity and inclusion at ACC to inform our strategy and approach
Recruitment, selection and induction	• Robust recruitment and selection processes are in place to attract a diverse range of applicants and to ensure consistent decision-making • Use of broad assessment and selection tools to encourage diversity of age, ethnicity, gender and disability • Partnerships with TupuToa and Workbridge to support recruitment of Māori and people with disabilities, including an internship programme • Diversity statement on our careers website and in job advertisements • Effective onboarding through standardised e-learning material and leader toolkit
Employee development, promotion and exit	• Transparent performance development and remuneration framework in place, with tools and resources to support employees and leaders • Opportunities for our people to gain graduate or postgraduate qualifications through ACC sponsorship • Comprehensive range of training programmes available to employees • Grow@ACC portal allows employees to create their own development plans and access curated learning content on a wide range of relevant topics • Accessibility guidelines in place with our learning team to ensure employee development programmes are accessible to all employees • Significant internal promotion opportunities, with roles and secondment opportunities advertised internally • Reviewing employee turnover trends and reasons for exit to identify improvement opportunities
Flexibility and work design	• Strong flexibility and workforce resilience demonstrated during COVID-19 response • Ongoing pilots of flexible work arrangements to align to customer and employee needs • Organisation-wide flexible working policy • Updated 'dress for your day' guidelines to allow people more flexibility • Parent rooms in key locations • Strong focus on diversity and inclusion, including inclusive work practices
Remuneration, recognition and conditions	• Our people have access to a range of financial and non-financial recognition options through our recognition system • Transparent and equitable job evaluation and remuneration practices • Actively enabling staff participation in contractual arrangements as part of collective bargaining with the Public Service Association and the Association of Salaried Medical Specialists • Monitoring gender pay equity and ensuring equity within pay bands

Continued ...

Element	What we set out to deliver
Harassment and bullying prevention	• Employee Code of Conduct and relevant policies available at all times • We actively seek and encourage employee feedback and participation in all EEO-related matters, particularly as part of collective bargaining • One of ACC's four core behaviours is 'inclusive', which sets an expectation of a respectful and collaborative work environment • Celebration of 'Pink Shirt Day' at various sites across ACC to promote a positive workplace culture and the prevention of bullying • Our guidelines align with State Services Commission guidelines on harassment and sexual harassment
Safe and healthy environment	• Strong employee representation and involvement in health and safety committees and initiatives • Strong culture of reporting near misses and incidents so that learning and prevention can occur • Health and safety learning modules for all employees, with ongoing safety alerts, recognition and initiatives to support a safe and healthy environment • New learning module for leaders introduced during the year • 'Safe Kiwis' awards reward individuals and teams for outstanding health, safety and wellbeing behaviours and the introduction of new safety initiatives • Pilot of small innovation grants for teams to implement new health, safety and wellbeing initiatives • Effective management of key health, safety and wellbeing risks through a structured approach to identification, control and monitoring • Comprehensive wellbeing programme that was tailored to our environment throughout the year, including: – 'Five ways to wellbeing' support during the COVID-19 response – 'flu vaccinations – Employee Assistance Programme and professional supervision support programme – ergonomic workstation assessments and sit/stand desks across ACC – support for employees with disabilities and other needs

Information

Key measures	Actual 2019/20	Target 2019/20	Actual 2019/20	Target met?
The number of category 3, 4 and 5 privacy breaches and near misses (as defined by the Government Chief Privacy Officer's privacy matrix)	2	<5 per year No category 5 privacy breaches	0	Achieved

Managing the privacy of our customers

ACC is the custodian of a wide range of personal, confidential and sensitive information. We use it for a variety of purposes associated with our statutory obligations, for example to help us calculate weekly compensation entitlements. Sometimes we need to share it with third parties, for instance when we report payday filing to Inland Revenue. The effective management of this information is an essential element in maintaining the trust of New Zealanders. Fundamental to all our relationships is the need for our customers to have confidence that their personal information is collected appropriately, is stored securely, is only disclosed with appropriate authority, and can be accessed by them when needed.

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

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

We also track the number of privacy complaints that are made to the Office of the Privacy Commissioner. During 2019/20 nine privacy complaints were notified to us. This was a slight reduction on last year's 12. Three of the complaints received in 2019/20 were dismissed, three were upheld and three are still under investigation.

2019/20 saw the roll-out of the NGCM model. This was developed using a privacy-by-design approach, which embedded good privacy practices in all new systems and processes. Our privacy team actively supported the delivery of the new ways of working through a tailored communication programme and an on-the-ground presence.

During the COVID-19 lockdown we worked with our people to enable safe remote access to our systems and technology and developed amended processes to mitigate the risks associated with working at home. This enabled us to maintain services while continuing to safeguard customer information and maintain our privacy performance. Our first Transparency Report (which provides the public with information on how ACC shares information) was published on our website in 2019. Our second annual report is now available for viewing.[21]

We are one of ten agencies that make up the Joint Venture, an integrated, whole-of-government approach to family and sexual violence. We have now established a centralised Safety Response team, which shares information with our partner agencies. This allows the provision of consistent, co-ordinated responses to assess and manage family violence risk.

In 2020/21 we aim to finalise a Third-Party Privacy Management Model to help us deliver best-practice third-party privacy management. The model will look across ACC's extensive provider network and provide assurance that we have the right controls and assurance activities in place, as well as improve reporting on our overall privacy maturity.

We are updating our privacy statement, which informs our clients how and why we collect personal information, whom we share it with and their rights to access and correct it. We aim to improve readability and introduce concepts of te ao Māori, so that it better meets the needs of our clients.

It will also be a priority for us to be ready for the commencement of the updated Privacy Act. However, we do not anticipate that any of the new reforms, such as mandatory reporting of breaches to the Office of the Privacy Commissioner, will require significant changes to our processes.

21 *https://www.acc.co.nz/assets/corporate-documents/transparency-report-requests-personal-info-2019.pdf.*

TABLE 8: 2019/20 INFORMATION DELIVERY ACHIEVEMENTS

Objective	What we set out to deliver	Result
We enable safe and appropriate sharing of information.	We will have further protected our customers' information by rolling out important updates to our systems, and invested to ensure our systems have the capacity to meet predicted future demands.	Achieved
We are custodians of customer information.	We will have implemented a Privacy Assurance Framework for our provider network. This will improve privacy maturity in our provider network, helping us to better identify areas of privacy risk and report on those risks.	COVID-19 significantly affected progress; the timeframe for completion has been extended to 2020/21
We enable the appropriate sharing of information across government.	We will have refined our 'privacy by design' approach, ensuring that it continues to reflect leading privacy-management practices while supporting the need to share information across the sector appropriately.	Achieved
We have an organisation-wide strength in analytics.	We will have provided an uplift in ACC's ability to leverage analytics across the organisation. We will set up a Centre of Excellence to provide skills and expertise in analytics.	Achieved

Technology

Key measures	Actual 2018/19	Target 2019/20	Actual 2019/20	Target met?
Overall operational system availability	99.6%	99.5%	99.9%	Achieved

We rely on technology to deliver services to our customers. We have implemented technology changes to improve customer service, outcomes and the experiences of our clients and make it easier for our people to deliver our services.

Providing a stable technology platform

Reliable and stable systems are important to delivering services to our customers. This year our system availability was 99.9%.

We have continued with essential technology maintenance, including upgrading operating systems and datacentre components to ensure our systems and infrastructure remain safe, secure and available. This has included increasing capacity and redundancy, and introducing new systems and integrations to support new business services.

Our cloud footprint is increasing as we replace legacy technology and introduce new capabilities.

Improving our customer experience

A new platform was introduced in November 2019 to support how we manage claims. The new platform presents information to staff in a simple and efficient way. Staff can obtain and update information faster to support our customer conversations and provide a quality service.

We have continued to make improvements to our client payments system. This year, our complex client payment and grant systems were moved to our claims management system, providing our clients and staff with more functionality. Clients can tell us when and how they want to be paid, as well as how they want payment notifications – by post, email or none, as self-service is available on MyACC for Clients.

We have updated some of our online services and websites to ensure a safe and enjoyable user experience for our customers. We have migrated various micro websites to a single platform to improve security and supportability. We have also made improvements to MyACC for Clients and MyACC for Business, our online services, to enable customers to access, view and update their information easily and apply for business subsidies or entitlements such as weekly compensation, reimbursements and home help.

We have introduced new ways of interacting with customers, such as through Application Programming Interfaces, to deliver critical links between ACC core systems and our clients, providers, partners and government agencies, building out and maturing the ACC integrated fabric.

Managing change

This year we piloted Continuous Delivery, a new way to integrate and manage change across the business. It enables us to organise work and resources and prioritise investments to meet our business delivery needs. It also enables new or improved functionality and services to be rolled out more iteratively, delivering results more quickly. We have continued to test and refine our approach and it is now being adopted more broadly across our organisation as a way of working.

Communication and remote working

We have introduced many modern technology tools across ACC to make it easier for our people to communicate and deliver our services. The suite of tools and the functionality has enabled us to respond quickly when New Zealand went into lockdown due to COVID-19. Staff were able to work from home using collaboration tools, and more importantly we were able to maintain continuity of services remotely.

Cross-government collaboration

We continue to work closely with the health sector and government agencies to identify, deliver and support information and technology initiatives.

There are opportunities to improve services to shared customers through the use and sharing of common technology platforms and data.

For example, we have been working on cross-government code-sharing collaboration. ACC's Workspace Wizard and Business to Business capability have been designed with government legislation and New Zealand requirements in mind. Other agencies have expressed interest in adopting the model themselves. This initiative has the potential to lift government capabilities as well as offer development opportunities for our staff.

TABLE 9: 2019/20 INFORMATION TECHNOLOGY ACHIEVEMENTS

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

Environmental

We take our responsibilities regarding climate change, sustainability and ethical investment extremely seriously. We recognise the leadership role we must play by taking active steps to reduce greenhouse gas emissions, improve energy efficiency and reduce waste. Our environmental performance plays a critical role in supporting and improving the wellbeing of New Zealand.

Climate change

In 2019/20 we developed our climate change policy, with the aim of being proactive in leading New Zealand's commitment to net zero emissions by 2050. This included supporting efforts (in line with the intent of the Climate Change Response [Zero Carbon] Amendment Act 2019) to limit the average temperature rise to less than 1.5°C above pre-industrial levels. This built on individual initiatives already in place.

To achieve this aim, we will adopt a dual pathway approach:

- Corporate: ACC is aiming for a 60% reduction in corporate emissions by 2025 from 2019 levels
- Investments: ACC has aligned with the Climate Change Response (Zero Carbon) Amendment Act. This means reducing the carbon intensity of the investment team's global equity portfolio by at least 50% by 2030 compared to 2019 levels.

CORPORATE

In 2019/20 our climate change objectives were to reduce emissions and raise awareness of climate change across the organisation.

Our carbon emissions from corporate fleet vehicles reduced by 38% compared with 2018/19, and we have already started our transition to hybrid and electric vehicles. We also reduced our number of vehicles by 25%.

We significantly reduced our business travel emissions through reducing activity, the introduction and use of video conferencing technology and improved processes. The reductions from these initiatives were in addition to the impact that COVID-19 had on our business travel.

We are working to increase the energy efficiency of all our leased buildings through a targeted programme that sits alongside introducing improved recycling and waste management. We have new eco-friendly buildings planned for Dunedin and Hamilton.

We are working to assess how we are currently performing when compared with similar organisations. This will help to inform our target setting in 2020/21.

INVESTMENTS

As a public sector fund, we have set targets that broadly align with the Climate Change Response (Zero Carbon) Amendment Act, targeting to reduce carbon intensity of our equities portfolio by at least 50% by 2030. In practice this will be achieved by tilting the portfolios towards less carbon-intensive stocks, and possibly imposing an aggregate carbon constraint on each portfolio.

We believe that the impact on the long-term risk-return from this change will not be large. However, we acknowledge that the short-term impacts may fluctuate.

We are committed to tracking and reporting on progress with our carbon strategy, including the impacts on our investment portfolio. We also support the transition to a lower-carbon economy and support companies heading in that direction.

Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD)[22] has established a framework that enables consistent and comparable climate-related financial risk disclosures and scenario analysis. ACC will become a supporter of TCFD and is working towards using the TCFD framework to guide our climate change disclosures. TCFD reporting requires ACC to report on its governance, strategy, risk management and metrics relating to climate change risks and opportunities.

22 ***www.fsb-tcfd.org***

GOVERNANCE

ACC is accountable to its stakeholders, including the Government, clients, levy payers and taxpayers. In order to be held to account, ACC's climate change response is required to be visible. We will work to ensure that:

- our climate change policies and actions are published through core accountability documents
- we comply with relevant TCFD reporting
- we develop a range of tools for monitoring and reporting on our climate-related actions
- we continue to act in accordance with any directions issued by Ministers under the Crown Entities Act 2004 to Crown entities in relation to climate change obligations
- we continue to make our climate change initiatives and carbon exposure visible under the Official Information Act 1982 and select committee requests, and public analysis by media and interest groups.

STRATEGY

Our climate change policies will continue to adapt to new and emerging evidence, shifts in expectations, and future changes in government policy settings. In order to achieve its overarching aim while remaining fluid, ACC will be guided by the following enduring principles:

- Maintain a financially sustainable scheme
- Equity and inclusion
- Adaptive and flexible
- Whāia Te Tika and kaitiakitanga
- Accountable and transparent.

ACC has identified the three core pillars it can leverage to meet its climate change aim: reduce corporate emissions; reduce ACC's carbon exposure in the investment fund; and assess the possible financial impacts of climate change on future claims.

RISK MANAGEMENT

It is critical that we make well-informed choices about our specific responses to climate change and its impacts on our customers and on the Scheme's sustainability, taking account of the legislation under which ACC operates.

ACC's climate change policies will identify and assess: the specific risks and opportunities associated with those policies in the short, medium and long term; the impacts on our business; and any trade-offs that are required.

One of our three core pillars identified to help us achieve our climate change aims is actuarial and risk. This pillar will assess the possible financial impacts of climate change on future claims.

METRICS

This year we expanded the corporate emissions measures we report.

These measures cover our Scope 1 and 2 emissions, and some of our Scope 3 emissions[23]. Over the course of 2020/21 we will work to further embed these measures across ACC, establish appropriate targets and further refine Scope 3 emission measures. This will also include measuring and reporting on client-related emissions where we can appropriately address them without affecting client outcomes.

In 2019/20 we made some large reductions to our carbon dioxide (CO2) emissions. We acknowledge that a lot of these are COVID-19 and lockdown related, but in 2020/21 we will look to build on these with the investments we have made in remote-working tools. Reductions made this year included:

- a 38% reduction from fleet vehicles
- a 16% reduction from commercial buildings (electricity)
- a 34% reduction in air travel
- a 36% reduction in accommodation
- a 22% reduction in ground travel
- a 68% reduction in car rental.

23 The Greenhouse Gas Protocol categorises emission sources into three activity groups: Scope 1 (direct emissions); Scope 2 (indirect emissions from generation of purchased energy); and Scope 3 (other indirect emissions).

TABLE 10: CORPORATE ENVIRONMENTAL PERFORMANCE

Scope	Energy Source	Measure	2018/19 Quantity	2018/19 CO_2	2019/20 Quantity	2019/20 CO_2	Trend	
1	Fleet vehicles	litres	106,610	261.4	65,785	161.3	Improving	(38%)
2	Commercial buildings (electricity)	kilowatt hours	4,424,650	432.3	3,772,519	363.7	Improving	(16%)
3	Air travel	kilometres	8,964,439	2,654.9	6,697,886	1,745.8	Improving	(34%)
3	Accommodation	nights	10,772	177.4	8,393	113.3	Improving	(36%)
3	Ground travel	$	639,393	457.6	499,805	357.7	Improving	(22%)
3	Car rental	kilometres	170,829	56.1	53,682	18.0	Improving	(68%)
	TOTAL			**4,040**		**2,760**	**Improving**	**(32%)**

Looking to the future

Our position will remain under active review as we move towards net zero, and we may alter the ambition of the approach as we gather more evidence on the costs and opportunities. We may adjust the position in consideration of the five-year emission budgets that will be set by the Climate Change Commission.

This reflects a continuation of the efforts ACC has been making to address the risks associated with climate change. We have already been decarbonising and reweighting the investment portfolio and have made steady progress in reducing corporate emissions. We aim to continue to earn strong investment returns for levy payers in the future and reduce the cost New Zealanders pay for accident cover, while also meeting our responsibilities under the Climate Change Response (Zero Carbon) Amendment Act.

Governance and managing risk

Governance

ACC Board and governance framework

ACC is committed to excellent corporate governance processes and practices and continues to seek best practice in our corporate governance.

ACC is governed by a Board of up to eight non-executive members, each appointed by the Minister for ACC for up to three years. The Minister can reappoint a Board member, or shorten a Board member's term.

FIGURE 2: GOVERNANCE STRUCTURE

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

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

- Crown Entities Act 2004
- AC Act 2001
- State Sector Act 1988
- Public Finance Act 1989
- Health and Safety at Work Act 2015
- Climate Change Response (Zero Carbon) Amendment Act 2019.

These Acts include the following elements:

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

All decisions relating to the operation of ACC must be made by, or under the authority of, the Board.

The Board delegates to the Chief Executive the day-to-day management and leadership of ACC. In particular, this includes matters relating to ACC's responsibilities as an employer.

NZX CORPORATE GOVERNANCE CODE

ACC has elected to report against the NZX Corporate Governance Code (NZX Code). The NZX Code promotes eight principles for good corporate governance. As a Crown entity, there are certain parts of the NZX Code that do not apply.

Principle 1: Code of ethical behaviour

Through ACC's codes and policies, the Board sets out the expected standards of ethical behaviour. These are included in our:

- Code of Conduct (staff policy) and Code of Conduct (Board policy). Both Codes annex the State Services Commissioner's Standards of Integrity and Conduct, which focus on state services organisations being fair, impartial, responsible and trustworthy

- Protected Disclosure policy (staff) and Complaints policy (Board – this deals with how Board members should respond to complaints they receive about the operation of the ACC Scheme)
- Sensitive Expenditure policy (staff) and Gifts and Hospitality policy (Board)
- Personal Trading policy (staff).

  Disclosure of interests: The Board's policy and practice for conflicts of interest are covered by the Board Code of Conduct and the Board Governance Manual. Section 63 of the Crown Entities Act requires Board members who have interests in matters relating to the entity to disclose details of the interests as soon as practicable after becoming aware of them. The Board of ACC has a conflict of interest process under which Board members disclose their interests at least monthly. Under section 66 of the Crown Entities Act, a member who is interested in a matter relating to the entity is prohibited from acting with the Board on the matter. Nor can the member form part of a Board or committee quorum for any discussion or decision in relation to the matter.

  Section 68 of the Crown Entities Act provides a process under which the Chair (or Deputy Chair or Minister in certain circumstances) may, by prior written notice to the Board, permit a Board member to act on a matter in respect of which the member would otherwise be prohibited by section 66. No such permissions were given during the reporting period.

Principle 2: Board composition and performance

The Board's governance role is articulated in the Board Governance Manual, which sets out the roles and responsibilities of the Board. As ACC is a Crown entity, many aspects of the governance role are set out in legislation. These Acts are noted on ***page 92***.

The Board has a Training and Development Policy that sets out an expectation to self-identify training needs.

Every one to two years the Board completes a comprehensive self-evaluation process.

Board appointments are made by the Minister for ACC and members' terms are set by the Minister.

Principle 3: Board committees

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

RISK ASSURANCE AND AUDIT COMMITTEE

The Risk Assurance and Audit Committee assists the Board to fulfil its responsibilities for risk assurance and audit reporting relating to ACC and its wholly owned subsidiary, Shamrock Superannuation Limited (Shamrock). The Board may delegate to this Committee responsibilities associated with the sign-off and publication of the ACC Annual Report and financial statements.

Members: Anita Mazzoleni (Chair), David May, John Brabazon, Fred Hutchings (external member)

INVESTMENT COMMITTEE

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

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

GOVERNANCE AND REMUNERATION COMMITTEE

The Governance and Remuneration Committee assists the Board to fulfil its responsibilities for Board and Executive succession planning, Executive remuneration and monitoring ACC's Talent Strategy.

Members: Kristy McDonald QC (Chair), Dame Paula Rebstock, James Miller, Dr Tracey Batten

HEALTH SECTOR STRATEGY ADVISORY COMMITTEE

The Health Sector Strategy Advisory Committee was established in August 2019 and assists the Board by providing advice on the development, design and implementation of the Health Sector Strategy, including on the approach for meaningful sector engagement and implementation.

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

Principle 4: Reporting and disclosure

ACC's reporting requirements are largely governed by legislation. Our quarterly and annual reports combine financial and non- financial reporting with the aim of being balanced, clear and objective and linking back to our strategic intentions.

Principle 5: Remuneration

Board members are remunerated under the Cabinet Fees Framework (the Framework), at a rate approved by the Minister. The ACC Board's fees were last increased on 1 July 2017. The remuneration of the Board committees' external members is also subject to the Framework.

The Board Governance and Remuneration Committee reviews the performance and remuneration of the Chief Executive, senior management and other critical roles at ACC.

ACC discloses the fees paid to members of the Board, Board committees and the Executive. The remuneration of employees within specific bands is reported as required under the reporting standards. Refer to ***pages 100, 184 and 188*** for details.

Principle 6: Risk management

For details of our risk management practices, refer to 'Managing risk' on ***page 106***.

Principle 7: Auditors

The Board ensures that the ability of the external auditors to carry out their statutory audit role is not impaired or perceived to be impaired and would seek guidance from the Office of the Auditor-General if this were a possibility.

Principle 8: Shareholder rights and relations

While ACC does not have shareholders, ACC's website (***www.acc.co.nz***) gives access to all key corporate documents, including our accountability documents.

The ACC Board

ACC Board (from left to right)

John Brabazon, Leona Murphy, Dr Tracey Batten, James Miller (Temporary Deputy Chair), Dame Paula Rebstock DNZM (Chair), Anita Mazzoleni, David May, Kristy McDonald ONZM QC

Dame Paula Rebstock, DNZM

APPOINTED SEPTEMBER 2012 – CHAIR

Dame Paula is an Auckland-based economist and company director, who was made a Dame Companion of the New Zealand Order of Merit in 2015.

She has a BSc (Bachelor of Science, Economics) from the University of Oregon, and a Diploma and a Master of Science (Economics) from the London School of Economics.

Dame Paula is a member of the ACC Board Investment Committee, the ACC Board Governance and Remuneration Committee and the ACC Board Health Sector Strategy Advisory Committee.

Dame Paula is Chair of:

- Ngāti Whātua Ōrākei Whai Maia
- the NZ Defence Governance Board
- Auckland District Health Board's Finance, Risk and Assurance Committee
- the National Hauora Coalition.

She is a member of the:

- Auckland District Health Board's Human Resource Committee
- Vector Board
- Auckland Transport Board
- SeaLink Board.

James Miller

APPOINTED MARCH 2013 – TEMPORARY DEPUTY CHAIR AND CHAIR INVESTMENT COMMITTEE

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

James is Chair of the ACC Board Investment Committee and a member of the ACC Board Governance and Remuneration Committee.

James is the Chair of NZX and a Director of Mercury Energy and NZ Refining.

James is also a:

- Fellow of the Institute of Finance Professionals New Zealand Inc
- Fellow of the Institute of Chartered Accountants of New Zealand
- Certified Securities Analyst Professional
- Accredited Director of the Institute of Directors in New Zealand Inc
- qualified Chartered Accountant.

Before this, he was:

- Director of Craigs Investment Partners in Auckland
- a member of the Financial Markets Authority Board
- Head of Equities at ABN AMRO
- Head of Research at ABN AMRO
- a research analyst at Barclays de Zoete Wedd.

Dr Tracey Batten

APPOINTED FEBRUARY 2019 – CHAIR HEALTH SECTOR STRATEGY ADVISORY COMMITTEE

Tracey is a qualified doctor, which she obtained at the University of Melbourne. She later acquired a Master of Health Administration from the University of New South Wales and a Master of Business Administration from Harvard University.

Tracey is Chair of the ACC Board Health Sector Strategy Advisory Committee and a member of the ACC Board Governance and Remuneration Committee.

She is:

- a Fellow of the Australian Institute of Company Directors
- a Chartered Member of the Institute of Directors in New Zealand
- a Director of Medibank Private Limited (Australia)
- a Director of Abano Healthcare Group Limited
- on the Board of the National Institute of Water and Atmospheric Research (NIWA).

Her previous roles have included:

- Chief Executive of Imperial College Healthcare NHS Trust (UK)
- Chief Executive of St Vincent's Health, the largest charitable hospital group in Australia.

Tracey has worked closely with businesses in the hospital, aged care and medical research sectors in the United Kingdom and Australia.

John Brabazon

APPOINTED FEBRUARY 2019

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

John is a member of the ACC Board Investment Committee and the ACC Board Risk Assurance and Audit Committee.

John is:

- an Executive Director of Clavell Capital merchant bankers
- a Director of Dairy Farms NZ Limited.

His previous directorship roles have included:

- Auckland International Airport
- Hilton Haulage
- Manukau City Investments.

David May

APPOINTED JANUARY 2018

David is an actuary by training and has enjoyed a long career in the insurance, superannuation and investment industries.

He has extensive experience as a director and chief executive in the public and private sectors.

He is also a Director of Save the Children New Zealand.

David is a member of the ACC Board Risk Assurance and Audit Committee and the ACC Board Investment Committee.

His previous roles have included:

- Chair of the Guardians of New Zealand Superannuation Fund
- Deputy Chair of the Government Superannuation Fund
- Director of Southern Cross Hospitals and Southern Cross Health Insurance
- Director of Sovereign Insurance
- Chief Executive of Colonial New Zealand
- Acting Chief Executive of ACC.

Anita Mazzoleni BCom, FCA, LLB, Solicitor

APPOINTED JULY 2014 – CHAIR, RISK ASSURANCE AND AUDIT COMMITTEE

Anita has been Chair of the ACC Board Risk Assurance and Audit Committee since she was appointed and is a member of the ACC Board Health Sector Strategy Advisory Committee.

Anita was appointed in July 2014 until 18 July 2020. Her term now continues on a monthly basis until a replacement is appointed.

Nō Waikato ia. Ko Venetian Navy te waka, ko Adriatic rāua ko Waitematā ngā moana, ko Rangitoto te maunga, ko Waikato te awa. Ko Ngāti Pākehā te iwi.

Anita has been an independent company director since 2004. She has a Bachelor of Commerce and Bachelor of Law and was a Fellow of Chartered Accountants Australia and New Zealand and a Barrister and Solicitor of the Supreme Court of New Zealand. She is currently an investor and apiarist and is writing a metaphysical trilogy.

Kristy McDonald, ONZM, QC

APPOINTED SEPTEMBER 2012 – CHAIR, GOVERNANCE AND REMUNERATION COMMITTEE

Kristy is a Queen's Counsel and Wellington-based barrister and litigation lawyer with extensive experience in criminal, health, public and constitutional, and administrative law.

She has provided advice and representation for private clients and the Crown in a wide range of civil, criminal and administrative matters in 35 years in practice. She has undertaken and assisted with a number of independent Ministerial and other inquiries and has chaired and advised a number of statutory bodies and tribunals.

Kristy was made an Officer of the New Zealand Order of Merit in 2019.

Kristy is Chair of the ACC Board Governance and Remuneration Committee.

Kristy is:

- Chair of Kiwifruit New Zealand – a primary industry regulator
- Chair of the Ministry of Social Development Audit and Risk Committee
- Deputy Chair of the Wairarapa Building Society
- a Director of the Racing Industry Transition Agency
- a member of the NZ Markets Disciplinary Tribunal.

Members of the Board who served during the year

LEONA MURPHY

Appointed June 2017, retired July 2019

For further information about our Board members, go to ***www.acc.co.nz/about-us/who-we-are/acc-board.***

TABLE 11: BOARD AND SUB-COMMITTEE ATTENDANCE AND FEES[24]

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

Board members	ACC Board	Risk Assurance and Audit Committee	Investment Committee	Governance and Remuneration Committee	Health Sector Strategy Advisory Committee	2019/20 remuneration
Dame Paula Rebstock (DNZM)	12/12		7/8	3/4	3/3	$97,102
Dr Tracey Batten	12/12			4/4	3/3	$52,737
Mr John Brabazon	12/12	3/3	8/8			$48,551
Mr David May	11/12	4/4	7/8			$48,551
Ms Anita Mazzoleni	12/12	4/4			2/3	$53,574
Ms Kristy McDonald (ONZM, QC)	9/12			4/4		$53,574
Mr James Miller	12/12		8/8	4/4		$60,690
Ms Leona Murphy[25]	1/1	1/1				$4,604
Mr Pat Duignan[26]			8/8			$30,000
Mr David Hunt[26]			8/8			$30,000
Mr Fred Hutchings[26]		3/4				$30,000
Dr Matire Harwood[26, 27]					2/3	$25,000
Dr Lloyd McCann[26]					3/3	$25,000
Professor Kath McPherson[26]					3/3	$25,000
Dr Api Talemaitoga[26]					3/3	$25,000
Stephen Montgomery[26, 28]			1/1			$2,500

24 *Attendance at committee meetings is recorded for committee members only. If a Board member is not a member of a committee but attended a meeting as an observer, their attendance has not been noted here.*

25 *Retired 31 July 2019.*

26 *External committee member.*

27 *Appointed 1 September 2019.*

28 *Appointed 15 June 2020.*

ACC corporate responsibility

The Board recognises that ACC's activities and investments affect New Zealand communities, and therefore it seeks to avoid activities that would be regarded as unethical by a substantial majority of the New Zealand public. The ACC Board is guided by New Zealand and international laws, Treaty of Waitangi obligations, global ethical practices, and its roles in the public sector and investment community. The Board commits to:

- conducting ACC's investment and procurement activity in a lawful manner
- considering environmental, social and governance issues when making decisions on investment and/or procurement activities
- providing overall guidance as to the types of activity that are considered unethical, and setting ACC's ethical investment policy to ensure that ACC meets its ethical investment objectives and fiduciary responsibilities as a trustee in a manner that is transparent
- avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

Our Code of Conduct specifies business standards and ethical considerations, as well as the expectation that all employees will promote the principles of equal opportunity in employment.

Whole-of-government directions

On 22 April 2014, the Minister of State Services and the Minister of Finance issued directions to apply whole-of-government approaches to information and communications technology (ICT), property and procurement. A further direction was issued in 2016 for the New Zealand Business Number.

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

Subsidiary company

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

Te Tiriti o Waitangi

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

Treaty of Waitangi

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

The ACC Executive

ACC Executive (from left to right)

Mike Tully, Herwig Raubal, Peter Fletcher, Sharon Champness, Scott Pickering, Emma Powell, John Healy, Deborah Roche, Paul Dyer

Scott Pickering

CHIEF EXECUTIVE

Scott started his role as Chief Executive of ACC on 1 May 2013. He's a seasoned chief executive and insurance professional. He gained his global leadership and governance experience through a career in many countries and cultures. Scott has also represented ACC as a shareholder-director on the Board of Kiwibank since 2016.

Scott was previously Regional Chief Executive for Willis International Limited (Central and Eastern Europe, the Middle East and Africa) and Regional Chief Executive for the Royal & Sun Alliance (RSA) Insurance Group (Asia and the Middle East). He also held chief executive roles for ACE Insurance and CIGNA P&C (South Africa, Japan, Hong Kong, Philippines, Thailand, Indonesia, Australia and New Zealand).

Emma Powell

CHIEF CUSTOMER OFFICER

Master of Communication Disorders (University of Canterbury).

The Chief Customer Officer has responsibility for:

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

Emma joined ACC in 2010. Emma is passionate about supporting genuine engagement between ACC and its customers and stakeholders, allowing us to achieve positive outcomes for all New Zealanders. As the Chief Customer Officer Emma is responsible for approximately 200 staff.

John Healy

CHIEF FINANCIAL OFFICER

The Chief Financial Officer (CFO) provides financial leadership and supervision across ACC. The CFO has responsibility for:

- financial accounting and control
- corporate performance management (budgeting, forecasting and planning)
- procurement
- property
- decision support.

John joined ACC in 2017. John has more than 20 years of senior financial experience in energy and natural resources sectors in the UK, Australia and Russia. He also spent 11 years with one of the large global accounting firms, working in New Zealand, Russia and the UK.

Member of Chartered Accountants Australia and New Zealand since 1994.

Deborah Roche

CHIEF GOVERNANCE OFFICER

Master of Science (London School of Economics), Master of Applied Science (University of South Australia).

The Chief Governance Officer has responsibility for:

- governance and Board-relevant functions
- public sector relationships and legal
- stakeholder management and privacy.

Deborah joined ACC in 2018 and previously held the role of Deputy Director-General, Policy and Trade at the Ministry for Primary Industries. Deborah also held senior roles with the Department of the Prime Minister and Cabinet, the Ministry of Health in New Zealand and the Department of Health in the UK.

Paul Dyer

CHIEF INVESTMENT OFFICER

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

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

Paul has been a member of the leadership group of the ACC investment team since 2008. Since November 2019 he has been the Chief Investment Officer. He has a deep understanding of the ACC investment fund's role of making sure it has sufficient funds to help pay the future costs of injuries that have occurred.

Before this, Paul was:

- Chief Investment Officer of both AMP Capital Investors and the New Zealand Superannuation Fund
- Chief Advisor to the Minister of Finance
- an economist with the New Zealand Treasury and stockbroker Buttle Wilson (now UBS).

Mike Tully

CHIEF OPERATING OFFICER

The Chief Operating Officer focuses on:

- leading ACC's operational performance and ensuring delivery against the Service Agreement, including the alignment of Group business plans with the Service Agreement
- leading the Operations Group to provide effective and efficient multi-channel operations across all three customer groups – Client, Business Customer and Provider
- ACC's Client, Business Customer and Provider transformation programme.

Mike joined ACC in 2009. He previously held the roles of Chief Customer Officer and Head of Client Service Delivery at ACC and has worked in banking and insurance for more than 20 years.

Herwig Raubal

CHIEF RISK AND ACTUARIAL OFFICER

Herwig is the Chief Risk and Actuarial Officer for ACC. In that capacity he advises the Executive and Board on all aspects of operational, financial and strategic risks. He has oversight of the actuarial, risk management, internal audit and integrity functions.

Herwig is also the Chief Actuary for the Ministry of Social Development, where he advises on the impacts of policy and operational settings on the social outcomes of clients.

Herwig joined ACC in 2012. Prior to this he was Chief Actuary at Farmers Mutual Group, and Chief Actuary for Tower Limited.

Sharon Champness

CHIEF TALENT OFFICER

The Chief Talent Officer is in charge of all employee-related matters and supporting effective change management across ACC.

Sharon combines all areas of talent management and change, including:

- developing and leading the people strategy
- culture, diversity and engagement
- health, safety and wellbeing
- organisational change and effectiveness.

Sharon joined ACC in 2017. She previously held the role of Director People and Workforce Strategy at the University of Newcastle and a number of senior human resources roles in the education, mining and manufacturing sectors in Australia.

Peter Fletcher

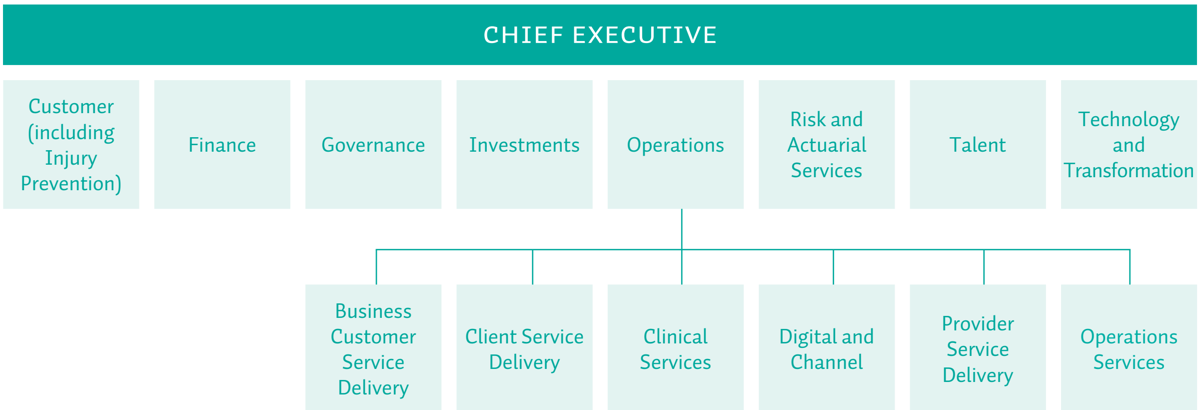
CHIEF TECHNOLOGY AND TRANSFORMATION OFFICER

The Chief Technology and Transformation Officer has end-to-end accountability for technology strategy development and delivery and for the successful delivery of our transformation programme.

Peter joined ACC in 2018. He is an experienced technology executive, with more than 25 years' experience leading technology change, mainly in financial services. Peter was Group Manager, Technology for New Zealand Post for three years and held chief information officer roles with Westpac New Zealand and BNZ. Peter also spent six years with Barclays in the UK and Singapore.

For more information about our Executive members, go to **www.acc.co.nz/about-us/who-we-are/minister-ceo-executive**

Organisational chart



Managing risk

Our risk environment

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

The COVID-19 pandemic is making 2020 unique from a risk perspective: the assessment and mitigation of many of ACC's entity risks are affected and require new or enhanced management responses. ACC has responded well to the challenges COVID-19 has presented, in part due to our change agility and ability to take managed risks.

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

Risk management is embedded in our culture and systems

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

Our risk maturity initiatives for 2020/21 included enhancements to risk appetite measurement and reporting; internal control testing; ongoing risk culture activity; and enhanced incident management.

Our Enterprise Risk and Compliance Framework is aligned to AS/NZS ISO 31000:2009 *Risk management – principles and guidelines and the COSO Enterprise Risk Management – Integrated Framework*. In 2018 we adopted a five lines of assurance model as our risk environment. Now, two years on, the five lines of assurance model is embedded, both in our governance structure and in practice (with each line of assurance performing its discrete role).

Improving our risk culture is a priority

The relevance of risk culture to effective risk management cannot be overstated. Even sophisticated risk-management practices can fail when the requisite underpinning risk culture is not present. In 2019 ACC took proactive steps to assess its risk culture, engaging with KPMG to complete a risk culture review. The purpose of the review was to establish a risk culture baseline across ACC to assess against in the future.

The Executive responded promptly to the review by developing work plans to enhance the risk culture, with a focus on ensuring all staff have a clear understanding of ACC's risk-management expectations. The plans span the two-year period to mid-2021. A recent interim assessment of progress against the plans revealed that significant progress was made in the first year. The full impact of ACC's response to the review is due to be formally re-assessed in mid-2021.

Our risk strategy

This year we delivered the following activities designed to implement ACC's risk strategy.

Initiative	Achievements
Enterprise risk management	The embedment of the Enterprise Risk Management Framework improved across all groups. The Framework enables staff to manage risk consistently and as part of their day-to-day business practices.
	An interim assessment of progress against group risk culture plans was completed. A further assessment and resulting report to the Board will be completed in 2021.
	Progress was made in establishing foundational practices for control testing. They are being rolled out progressively across the entity.
	Funding was secured for an enterprise risk management system design activity. It is anticipated that the system will be rolled out in stages in the next two to three financial years.
	Significant effort was invested in improving the quality of collaboration and communication across the risk community.
	ACC's entity risk profile was refreshed, providing a better picture of its entity risks (individually and in aggregate) and an improved assessment of treatment plan effectiveness.
Risk appetite	Significant progress was made in developing a set of indicators for the risk appetite statement. Once finalised and adopted by the Board, they will enable regular meaningful discussions on how consistently ACC is acting in relation to its risk appetite statements.
Compliance	A compliance risk assessment in relation to all material legislative obligations and all business groups was completed. The results enabled improvements to be made to the quality and focus of the annual legislative compliance review.
	A review of how business groups monitor compliance with policies was completed. The results highlight some opportunities to improve monitoring.
	The annual legislative compliance review was completed again. The results highlighted opportunities for further incremental improvements in our compliance practices, including increasing positive assurance activities.

Priority risks

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

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

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

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

TABLE 12: TOP SIX PRIORITY RISKS

Strategic intention	Risk	Management activity and comments on impact of COVID-19 (where material)
Improve our customers' outcomes and experiences	**Customer outcomes** We fail to deliver expected customer outcomes.	• The COVID-19-related heightened risk in relation to providers had largely decreased, but increased again due to the new COVID-19 outbreak and related restrictions. Reflecting lessons learned during the first set of restrictions, ACC engaged early with all relevant stakeholders. This risk is likely to be volatile for some time. **Management activity includes:** • roll-out of NGCM • Escalated Care Pathways – design and prove a new outcome-based framework for commissioning specialist care • Integrated Home and Community Services – design and implement a case mix framework • Non-Acute Rehabilitation – introduce an incentive for providers to implement efficiencies where appropriate.
Improve the financial sustainability of the Scheme	**Claims cost management** We do not adequately anticipate, monitor and respond to claim cost performance trends resulting in pressures on levy rates.	• The fact that COVID-19 reduced the level of claim cost growth in the short term is only tangentially relevant to this risk, which is focused on monitoring and responding adequately to claim costs' performance, rather than being related to the direction of year-on-year claim movements. **Management activity** • Claim cost reduction actions contemplated as part of the Health Sector Strategy initiatives, including development of alternative commissioning models. • A deep-dive analysis of our services and providers is underway. • Review provider contracts and our own contract-management practices to identify opportunities to enhance cost and performance controls. • NGCM roll-out involves significant process changes to ensure we manage clients' rehabilitation in an efficient and effective way.
Improve the financial sustainability of the Scheme	**Model** A reliance on material models to facilitate key organisational decisions (resource allocation or investments) results in unintended outcomes due to the limitation of that model as a result of a lack of judgement applied to the interpretation of the model output, poor model calibration, model design flaw or documentation.	**Management activity** • Complete a high-level risk assessment of current use of models and the existing practices to manage model-related risks. • Establish an enterprise register of models. • Deep-dive sessions with the business to further refine risk assessments of models. • Develop an overarching framework, policy and associated governance practices in relation to managing model-related risks. • Documentation in relation to all relevant models is in place.
Improve the financial sustainability of the Scheme	**Response and business interruption management** Failure to effectively respond to, and recover from, a business interruption effectively.	• The rating for this risk remains **High** with a decreasing trend. The first COVID-19 event provided a real-life test of our readiness to respond to a significant business interruption. Our response was a success. Lessons learned from the debrief will benefit ACC in relation to all future business interruption events. **Management activity** • Continual delivery of Business Continuity Work Programme.

Continued ...

Strategic intention	Risk	Management activity and comments on impact of COVID-19 (where material)
Support ACC business outcomes with modern, reliable and secure information technology	**Benefits** We fail to effectively identify and/or realise the short- and long-term outcomes and benefits of our transformation investment effectively.	• The rating for this risk has stabilised at **High**. Although COVID-19 contributed to the increased rating of this risk in Q3 2019/20 from **Medium** to **High**, the current drivers for maintaining the High rating relate to non-COVID-19 matters. **Management activity** • Quarterly ICIP benefit profile review by Chief Technology and Transformation Officer and benefit owners, with output presented to the Enterprise Change Authority. • Working with Ministry of Health to identify wider system opportunities to enhance benefit profile, with an initial focus on the provider registry. • Review of calculation methodology and assumptions for existing benefit-realisation plans and creation of new plans for other in-flight initiatives. • Review benefits process and framework (including traceability) and complete documentation and evaluation of controls.
Improve our customers' outcomes and experiences	**Māori access and outcomes** We fail to make progress in implementing initiatives that are meaningful, scalable or timely enough to improve Scheme access, outcomes and engagement with Māori.	**Management activity.** • Executing the Whāia te Tika strategy. • Partnering with Māori. • Improving access to services for Māori. • Developing cultural capability at ACC. • Developing whānau insights and experience.

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

Statement of performance and financial statements

Statement of responsibility

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

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

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

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

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of ACC for the year ended 30 June 2020.

Signed on behalf of the Board:

Dame Paula Rebstock DNZM

Dame Paula Rebstock DNZM
Board Chair

James Miller
Temporary Deputy Chair

Statement of performance

The statement of performance reports against the measures contained in ACC's Service Agreement 2019/20. It is divided into two sections: the public value scorecard and performance against output delivery.

Section 1: Public value scorecard

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

Our public value scorecard framework recognises that our activities should:

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

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

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

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

Section 2: Performance against output delivery

Section 2 of the statement of performance includes a brief explanation of what is intended to be achieved within each output, and ACC's performance against all other output measures included in the Service Agreement 2019/20, excluding those already reported in the public value scorecard.

Again, we have provided explanations for performance measures where we did not achieve the targeted performance levels.

Service Agreement 2020/21 – notice of timeframe extension

In light of the COVID-19 pandemic, ACC requested an extension to the Service Agreement 2020/21 timelines as allowed for in section 149CA of the Crown Entities Act 2004, as inserted by the COVID-19 Response (Taxation and Other Regulatory Urgent Measures) Act 2020. An extension of three months has been granted; this will allow ACC to consider:

- actual experience and insights from the latest economic projections for 2020/21 and beyond
- the impact on performance of the period of lockdown and the transition between alert levels.

ACC's Service Agreement 2020/21 will be finalised by 30 September 2020.

Section 1: Public value scorecard

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

TABLE 13: PUBLIC VALUE SCORECARD – CUSTOMER

Category	Measuring our contribution to New Zealand	Actual 2018/19	Target 2019/20	Actual 2019/20	Target met?
CUSTOMER Did we meet expectations?	Public trust and confidence	61.0%	65.0%	65.0%	Achieved
	Client net trust score	+24.0	+34.8	+31.0	Not achieved Refer note 1
	Client net trust score (Māori)	+25.0	+34.8	+43.0	Achieved
	Provider net trust score	-15.0	-8.0	-14.0	Not achieved Refer note 2
	Business net trust score	-23.0	-14.0	-1.0	Achieved

NOTE 1 – CLIENT NET TRUST SCORE

The client net trust score of +31.0 was lower than the targeted +34.8, but was an improvement on the +24.0 achieved in 2018/19. The net trust scores for clients who engaged through our new claims management model was higher at +37.0. We expect that when all our clients are engaging through the new model (roll-out is expected to be completed in quarter one 2020/21), net trust scores will improve; however, the future impacts of COVID-19 on our clients are uncertain and widespread.

NOTE 2 – PROVIDER NET TRUST SCORE

The provider net trust score fell in the fourth quarter to -14, from -7 in the third quarter. The end-of-year result was an improvement compared with the first and second quarters and a small improvement on the 2018/19 end-of-year result.

ACC's Health Sector Strategy is seeking to improve provider trust, and an aligned work programme is being developed that targets an improved provider experience; however, the future impacts of COVID-19 on providers are uncertain and widespread.

TABLE 14: PUBLIC VALUE SCORECARD – IMPACT

Category	Measuring our contribution to New Zealand	Actual 2018/19	Target 2019/20	Actual 2019/20	Target met?
IMPACT Did we meet expectations?	Rate of serious injury	81.2	80.1	84.7	Not achieved Refer note 3
	Return to work within 10 weeks	66.8%	66.5%	65.0%	Not achieved Refer note 4
	Return to independence for those not in the workforce	88.9%	86.0%	89.1%	Achieved
	Growth rate of the Long-Term Claim Pool	+6.5%	+6.2%	12.6%	Not achieved Refer note 5

NOTE 3 – RATE OF SERIOUS INJURY

The rate of serious injury in 2019/20 was 84.7, higher than the target of 80.1. The lag in this measure means this result included claims from January to December 2019 and there was no impact from COVID-19.

The higher-than-expected result was driven by a higher proportion of fatal claims from people aged 65 and over. There was also a higher-than-expected number of assault-related claims. To address this we are investing in long-term systemic change and will leverage opportunities through the Joint Venture to prevent family and sexual violence.

NOTE 4 – RETURN TO WORK WITHIN TEN WEEKS

In 2019/20, 65% of clients returned to work within ten weeks. This result was affected by COVID-19 restrictions in the fourth quarter. Fewer low-complexity claims were lodged and fewer clients were able to return to work in this period.

The deterioration in early rehabilitation performance was expected in the short term due to the COVID-19 restrictions. We anticipated longer periods of incapacity due to the current employment market and pressure on medical practitioners to be conservative when certifying patients using telehealth services. In addition, and as a result of COVID-19, certification extensions are contributing to longer-than-usual durations for some weekly compensation clients.

NOTE 5 – GROWTH RATE OF THE LONG-TERM CLAIM POOL

The growth in the Long-Term Claim Pool of 12.6% was higher than the targeted 6.2%. Growth remained largely due to a higher number of clients entering the Long-Term Claim Pool, mostly for the first time. This followed consistent growth in new weekly compensation claims in recent years and a decline in short-term rehabilitation rates. In addition, fewer clients returned to independence during May and June compared with 2019 following our decision to continue to support clients by suspending entitlement and vocational independence decisions during Alert Levels 4 and 3. Access to providers for medical and vocational assessments was also limited during the lockdown.

TABLE 15: PUBLIC VALUE SCORECARD – FINANCIAL SUSTAINABILITY

Category	Measuring our contribution to New Zealand	Actual 2018/19	Target 2019/20	Actual 2019/20	Target met?
COST EFFECTIVENESS Did we meet expectations?	The portfolio of injury prevention investments will have an assessed positive return on investment	$1.81:$1	$1.80:$1	$1.80:$1	Achieved
	Investment performance after costs relative to benchmark	-0.82%	0.30%	0.16%	Not achieved Refer note 6
	Change in average treatment cost	5.7%	≤4.5%	6.4%	Not achieved Refer note 7
	Actuarial movement[29]	1.56%	Within +/-2%	0.48%	Achieved
	Average care hours per serious injury claim	1,350	1,370	1,393	Not achieved Refer note 8

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

NOTE 6 – INVESTMENT PERFORMANCE AFTER COSTS RELATIVE TO BENCHMARK

ACC's reserves portfolio returned 7.59% after costs, outperforming the market-based benchmarks by 0.16% but lower than the 0.30% outperformance. Our overall portfolio return was higher than benchmark because our global equity portfolios achieved higher returns than the benchmark indices and because our allocation between investment markets captured the gains from a decline in New Zealand long-term bond yields.

NOTE 7 – CHANGE IN AVERAGE TREATMENT COST

COVID-19 and the lockdown affected the volume and mix of claims accessing services. The decline in claim volumes paid in 2019/20 was 5.5%, driven by fewer simple claims with lower average costs. On average the treatment cost per claim was $572.33; key areas of growth are counselling and elective surgery.

NOTE 8 – AVERAGE CARE HOURS PER SERIOUS INJURY CLAIM

Average care hours per serious injury claim increased significantly in the fourth quarter. This was a result of the decisions made to ensure our clients were adequately supported during the COVID-19 lockdown and in the lower alert levels. Examples of this support included providing care for clients who would usually have been using teacher aide support at school and additional attendant care for clients where their usual respite care facilities were closed in the lockdown.

Section 2: Performance against output delivery

The breakdown of our revenue earned and costs incurred compared with expected revenue and costs reported in the Service Agreement 2019/20 is as follows:

TABLE 16: ACTUAL VERSUS EXPECTED REVENUE AND COSTS BY OUTPUT CLASS

	Administration		Claims paid		Revenue	
$M	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**
Output class 1 – injury prevention	102	120	–	–	–	–
Output class 2 – Levy setting and collection	37	39	–	–	4,469	4,438
Output class 3 – Investment management	60	58	–	–	3,444	1,666
Output class 4 – Claims management	525	508	4,642	4,720	–	–
Total	**724**	**725**	**4,642**	**4,720**	**7,913**	**6,104**
Other operating costs	83	91	–	–	–	–
Total ACC	**807**	**816**	**4,642**	**4,720**	**7,913**	**6,104**

Output 1: Injury prevention

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

We can only undertake an injury prevention activity if it is likely to result in a cost-effective reduction in our 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 OCL and levies.

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

The public value measures relating to this output class are:

- the portfolio of injury prevention investments that will have an assessed positive return on investment
- the rate of serious injury.

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

TABLE 17: OTHER OUTPUT MEASURES – INJURY PREVENTION

Measure	Actual 2018/19	Target 2019/20	Actual 2019/20	Performance against target
Number of claims avoided through our injury prevention investments[30]	11,253	12,100	15,547	Achieved

Statement of performance and financial statements

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

Output 2: Levy setting and collection

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

In order for us to deliver services, we must collect revenue. Through our levy-setting process we calculate the future revenue needs for each Account. 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.

Activity information

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
2019/20	Number of employed and the self-employed 2.17 million	Number of earners 2.53 million	Number of vehicles 3.98 million	Number of non-earners 2.45 million Number of earners 2.57 million	Number of non-earners 2.45 million
2019/20	Levy revenue $815 million	Levy revenue $1,664 million	Levy revenue $444 million	Government appropriation $191 million Levy revenue $76 million	Government appropriation $1,278 million
2019/20	$0.67 per $100 liable earnings	$1.21 per $100 liable earnings	$113.94 per motor vehicle		

The public value measure relating to this output class is:

- actuarial movement.

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

TABLE 18: OTHER OUTPUT MEASURES – LEVY SETTING AND COLLECTION

Measure	Actual 2018/19	Target 2019/20	Actual 2019/20	Performance against target
Ratio of this year's total levies to the total claims incurred for this year's accidents over time	0.7	0.7 – 0.9	0.6	Not achieved Refer note 1

NOTE 1 – RATIO OF THIS YEAR'S TOTAL LEVIES TO THE TOTAL CLAIMS INCURRED FOR THIS YEAR'S ACCIDENTS OVER TIME

The below-target result of 0.6 means that the levy income (including appropriation) received in 2019/20 was insufficient to cover the costs of claims that year.

Movements in economic factors, including a decrease in the single effective discount rate from 3% (when the target was set) to 1.86% in June 2020, mean the expected cost of claims incurred increased by approximately 20%. The OCL strain in this same period further increased the cost of incurred claims above expectations when levies were last set in June 2018.

ACCOUNT FUNDING RATIOS

The financial sustainability of each Account is measured using funding ratios. These funding ratios are presented as a percentage and calculated by dividing total assets, less payables, accrued liabilities, provisions and unearned levy liability by the OCL (including additional liabilities for work-related gradual process claims not yet made) excluding any risk margin. This differs for the GAAP (generally accepted accounting principles) ratio of assets to liabilities. The funding ratio of 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.

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.

The AC Act requires the Government to issue a funding policy setting out criteria on how to fully fund the levied Accounts, including the Earners' portion of the Treatment Injury Account. ACC must make levy rate recommendations in accordance with that funding policy. The current funding policy was published in the New Zealand Gazette[31] on 8 July 2020 (Gazette No. 2020-go2045).

TABLE 19: FUNDING RATIOS AS AT 30 JUNE

As at 30 June (%)	Actual 2018/19	Actual 2019/20	Funding policy target
Work Account			
Including gradual process claims incurred but not yet made	118.7%	111.4%	100.0%
Motor Vehicle Account	106.7%	100.1%	100.0%
Earners' Account	111.9%	101.6%	100.0%
Non-Earners' Account			
Fully funding portion	68.0%	58.8%	100.0%
Treatment Injury Account			
Earners' portion	165.4%	145.0%	100.0%
Non-Earners' fully funded portion	69.4%	61.4%	100.0%

31 *www.gazette.govt.nz*

Output 3: Investment management

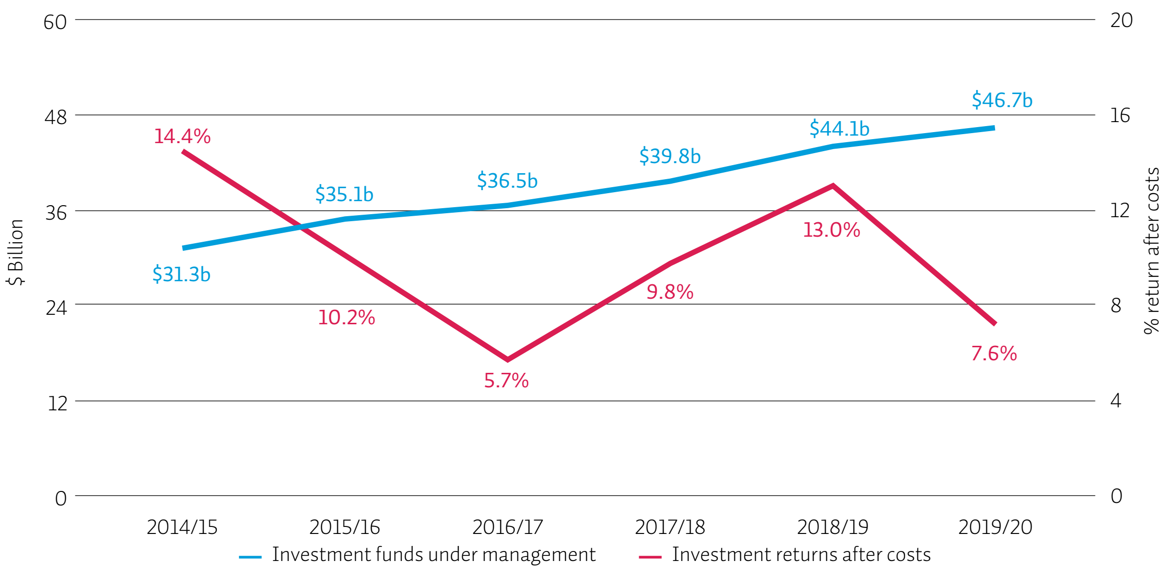
The purpose of our investment portfolio is to meet the future costs of incurred claims from long-term injuries without the need for any catch-up contributions from future levy payers. To meet this purpose, we tend to favour long-term investments that we expect to deliver relatively certain income streams for long periods of time. Such investments match our long-term cash flow requirements and provide a partial hedge 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 strategic asset allocations to ensure that the benchmark asset allocations provide the best possible balance of risk and expected returns for our objectives
- actively manage our investment portfolios with the objective of obtaining better risk-adjusted returns from those portfolios than would be achieved from passive investment.

Activity information

GRAPH 12: TOTAL INVESTMENT FUNDS AND INVESTMENT RETURNS



The public value measure relating to this output class is:

- investment performance after costs relative to benchmark.

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

TABLE 20: OTHER OUTPUT MEASURES – INVESTMENT MANAGEMENT

Measure	Actual 2018/20	Target 2019/20	Actual 2019/20	Performance against target
Investment management costs as a proportion of total funds under management	0.12%	0.15%	0.13%	Achieved

Output 4: Claims management

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

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

Activity information

Table 21 shows recent trends in the types of claim that we receive and accept. 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 the table 21 may differ from values presented in previous annual reports. This is due to the timing of claim lodgements and claim decisions.

TABLE 21: CLAIM ACTIVITY

Measure	Definition	2016/17	2017/18	2018/19	2019/20
Registered claims	Total number of registered claims in the period.	1,943,598	1,978,336	2,025,364	1,863,092
Medical fees only claims	Total number of medical fees only claims in the period.	1,667,816	1,688,347	1,730,562	1,540,260
Other entitlement claims	Total number of entitlement claims (all entitlement claims excluding weekly compensation) that receive payments in the period.	116,002	129,575	138,589	134,095
Weekly compensation claims	Total number of weekly compensation claims that receive payments in the period.	113,428	119,426	126,933	124,768
Long-term weekly compensation claims	Number of clients receiving weekly compensation for more than one year as at 30 June.	12,691	13,333	14,201	15,993
New serious injury claims	Total number of new serious injury claims in the period.	231	260	292	165
Fatal claims	Total number of fatal claims in the period.	1,307	1,371	1,520	1,197

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

EXPENDITURE AGAINST KEY COST DRIVERS

TABLE 22: EXPENDITURE AGAINST KEY COST DRIVERS

$M	Actual 2018/19	Budget 2019/20	Actual 2019/20
Weekly compensation	1,328	1,432	1,502
Medical treatment	833	901	846
Social rehabilitation	789	872	839
Public Health Acute Services	514	545	555
Elective surgery	371	398	375

The public value measures relating to this output class are:

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

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

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

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

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

TABLE 23: OTHER OUTPUT MEASURES – CLAIMS MANAGEMENT

Measure	Actual 2018/19	Target 2019/20	Actual 2019/20	Performance against target
Return to work within nine months (273 days)	92.4%	92.6%	91.0%	Not achieved Refer note 1
Durable return to work	73%	1% higher than Australia	72%	Not achieved Refer note 2
Weekly compensation days paid reduction	3.2 days increase [100.6 days]	2.3 days increase [99.7 days]	4.9 days increase[32] [102.2 days]	Not achieved Refer note 1
Speed of cover decisions	2.42 days	1.80 days	2.07 days	Not achieved Refer note 3
Reviews as a percentage of decline decisions	7.1%	≤7.2%	8.2%	Not achieved Refer note 4
Average time to resolution for claims with reviews	87.0 days	≤94.0 days	93.2 days	Achieved
Proportion of ACC reviews upheld (in favour of ACC)	82.4%	≥83.0%	87.2%	Achieved
ACC is focused on the best possible outcomes for clients given their situations	77.0%	80.5%	77.0%	Not achieved Refer note 5
Long-Term Claim Pool returns to independence	3,662	3,530	3,593	Achieved
Rate of long-term clients in part-time work	11.8%	12.0%	9.3%	Not achieved Refer note 6

Continued ...

32 *A decrease for this measure would reflect a reduction in weekly compensation days paid compared with 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.*

Measure	Actual 2018/19	Target 2019/20	Actual 2019/20	Performance against target
Administration costs per active claim	$2,629	$2,590	$2,875	Not achieved Refer note 7
Percentage of total expenditure paid directly to clients, or for services to clients	86.6%	86.2%	86.1%	Not achieved Refer note 8
Claims processed per full-time equivalent (FTE)	605	590	507	Not achieved Refer note 9

NOTE 1 – RETURN TO WORK

Our return-to-work rates, including average weekly compensation days paid, did not meet target. These results were affected by COVID-19 restrictions in the fourth quarter. Fewer low-complexity claims were lodged and fewer clients were able to return to work in this period.

The deterioration in early rehabilitation performance was expected in the short-term due to the COVID-19 restrictions. We anticipated longer periods of incapacity due to the current employment market and longer-than-usual medical certification extensions. We are working to ensure certification practices return to aligning with expected claim outcome timeframes.

NOTE 2 – DURABLE RETURN TO WORK

The durable-return-to-work rate for 2019/20 was 72%, a decrease on our 2018/19 result of 73%. The target for this measure was to exceed the Australian workers' compensation schemes result. However, the Australian survey has been delayed this year due to COVID-19.

Of the 336 clients who completed our survey in the fourth quarter, 99 were not back at work at the time of the survey. As expected, the COVID-19 pandemic affected our result; 15% of the clients who are currently not working attributed this directly to COVID-19.

NOTE 3 – SPEED OF COVER DECISIONS

While the overall 'speed of cover decisions' performance of 2.07 days did not meet target, it was an improvement on 2.42 days in June 2019.

The change in mix of complicated and non-complicated claim types during COVID-19 adversely affected cover decision timeliness. We now have higher-than-normal ratios of complicated decisions compared with non-complicated decisions.

Decisions for non-complicated claims were made in 0.6 days on average in 2019/20. Timeframes for complicated claims are likely to remain high for the first few months of the 2020/21 year as the decisions that were delayed during the COVID-19 restrictions are completed.

NOTE 4 – REVIEWS AS A PERCENTAGE OF DECLINE DECISIONS

In 2019/20 reviews as a percentage of decline decisions increased to 8.2%. An additional 550 reviews were received (6.7%) in the year than expected, while decline decisions decreased by 5.2%. While decline decisions have been declining since August 2019, this was further affected by COVID-19 and the lockdown. The largest increases in reviews received were for cover and weekly compensation.

We have completed a clinical analysis of decisions found in favour of clients where the original decisions to decline cover or entitlements had clinical components. The aim is to provide feedback to the clinical teams to better inform future decisions.

NOTE 5 – ACC IS FOCUSED ON THE BEST POSSIBLE OUTCOMES FOR CLIENTS GIVEN THEIR SITUATIONS

Agreement that ACC is focused on achieving the best possible outcome for clients rose to 79% in the fourth quarter, giving an annual result of 77%. Belief that ACC is focused on the best outcome is a key component of developing a trusted relationship. Therefore, this measure is closely aligned with client net trust. Agreement was stronger for clients managed through our new claims management model (81%), therefore we expect this score to improve as roll-out is completed in 2020.

NOTE 6 – RATE OF LONG-TERM CLIENTS IN PART-TIME WORK

The rate of long-term clients in part-time work was lower than expected at 9.3%. Performance of this measure declined in the fourth quarter as a result of COVID-19 and the lockdown. The number of clients receiving abated weekly compensation declined in the fourth quarter. As unemployment is expected to rise during the next 12 to 18 months, it is likely that some long-term clients may lose their part-time work and transition to full-time weekly compensation.

NOTE 7 – ADMINISTRATION COSTS PER ACTIVE CLAIM

Administration costs per active claim of $2,875 were higher than budget. This was mainly due to active entitlement claims being affected by COVID-19 and the lockdown – 9% lower than budget. It was also partly due to higher costs incurred for personnel.

NOTE 8 – PERCENTAGE OF TOTAL EXPENDITURE PAID DIRECTLY TO CLIENTS, OR FOR SERVICES TO CLIENTS

At 86.1%, the percentage of total expenditure paid directly to clients, or for services to clients marginally missed the target of 86.2%. Both operating costs (including injury prevention) and claim costs were lower than expected; however, the impact of COVID-19 on claim costs was greater at 1.6%.

NOTE 9 – CLAIMS PROCESSED PER FTE

The number of claims processed per FTE in 2019/20 was 507, lower than the targeted 590. This was driven by the decrease in new claim volumes driven by COVID-19, an increase in FTEs from the conversion of long-standing temporary staff to permanent positions, the COVID-19-related delay in the roll-out of our new case management model, and an increase in resource allocation to some frontline services.

NEW MEASURE

In our Service Agreement 2020/21 we have included a new measure to support our existing client net trust score for Māori.

This measure was not included in our Service Agreement 2019/20, but we believe it to be an important measure. It is a fundamental measure of access and will demonstrate our progress towards delivering our Whāia te Tika strategy. Our intention is to increase Māori lodgement ratio by 1% each year to ensure we focus implementing initiatives that aim to improve equity in access for Māori.

Measure	Actual 2019/20
Māori lodgement ratio	0.81

Other performance measures

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

Organisational health and capability performance measures

TABLE 24: PERFORMANCE MEASURES – MAINTAIN A DIVERSE, HIGH-PERFORMING WORKFORCE EMPOWERED TO DELIVER GREAT CUSTOMER EXPERIENCES AND OUTCOMES

Measure	Actual 2018/19	Target 2019/20	Actual 2019/20	Performance against target
Key measure Employee net promoter score	-11	0	+21	Achieved
Supporting measure Proportion of staff who identify as Māori	12%	13%	12%	Not achieved Refer note 1
Supporting measure Proportion of staff who identify as having a disability	14%	15%	12%	Not achieved Refer note 2
Key measure Total recordable injury frequency rate	3.1	6.1	3.2	Achieved
Supporting measure Lost-time injury frequency rate	0.9	1.4	1.0	Achieved

NOTE 1 – PROPORTION OF STAFF WHO IDENTIFY AS MĀORI

The proportion of our staff who identify as Māori increased slightly in 2019/20 from 11.6% mid-year to 12%. Over the course of the year we implemented several initiatives to increase Māori representation, and we have a partnership with Waikato Tainui to support increased recruitment.

NOTE 2 – PROPORTION OF STAFF WHO IDENTIFY AS HAVING A DISABILITY

Our representation of employees with disabilities declined to 12% from 14% in 2019/20. We continue to work with our Ability@ACC network in relation to property design and our Accessibility toolkit. The toolkit, which will support candidates and hiring managers for different types of disability, is being finalised. Our partnership with Workbridge continues to support the placement of people with disabilities.

TABLE 25: PERFORMANCE MEASURES – IMPROVE THE WAY WE USE, PROTECT AND SHARE INFORMATION

Measure	Actual 2018/19	Target 2019/20	Actual 2019/20	Performance against target
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)	2	<5 per year No category 5 privacy breaches	0	Achieved

TABLE 26: PERFORMANCE MEASURES – SUPPORT ACC BUSINESS OUTCOMES WITH MODERN, RELIABLE AND SECURE INFORMATION TECHNOLOGY

Measure	Actual 2018/19	Target 2019/20	Actual 2019/20	Performance against target
Key measure Overall operational system availability	99.6%	99.5%	99.9%	Achieved

Asset performance measures

Cabinet Office 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 ICT.

TABLE 27: ASSET PERFORMANCE MEASURES

Measure	Actual 2018/19	Target 2019/20	Actual 2019/20	Performance against target
ICT				
Utilisation: Average claims management system transaction time	262ms	≤475ms	145ms	Achieved
ICT				
Condition: Percentage of time key applications and network were able to perform required functions	99.4%	99.5%	99.9%	Achieved
ICT				
Functionality: Total operational ICT spend per FTE	$23,508	$24,300	$28,334	Not achieved Refer note 1
Property				
Utilisation: Square metres (m^2) of leased area per FTE	16.2m^2	12-16m^2/FTE	16.0m^2	Achieved
Property				
Condition: Percentage of total leased area with a current code compliance certificate/building warrant of fitness	100%	100%	100%	Achieved
Property				
Functionality: Percentage of total leased area that meets or exceeds the ACC security standards	100%	100%	100%	Achieved

NOTE 1 – TOTAL OPERATIONAL ICT SPEND PER FULL-TIME EQUIVALENT

The total operational ICT spend per FTE of $28,334 was higher than target, mainly due to increased computer and telephony costs after several major system changes implemented in the past two years as part of ACC's transformation programme.

Non-Earners' Account appropriation measures

TABLE 28: NON-EARNERS' APPROPRIATION MEASURES

Measure	Actual 2018/19	Target 2019/20	Actual 2019/20	Performance against target
Increase the total number of first presentations to SAATS	2,095	2,337	1,755	Not achieved Refer Note 1

NOTE 1 – INCREASE THE TOTAL NUMBER OF FIRST PRESENTATIONS TO SAATS

The number of first presentations to SAATS (Sexual Assault Assessment and Treatment Services) was lower in 2019/20 than in the previous year. Much of this decrease was during the COVID-19 lockdown period.

Financial statements

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2020

$M	Notes	Actual 2020	Actual 2019	Unaudited Budget 2020
Net levy revenue	5	4,468	4,505	4,437
Other revenue		1	1	1
Interest, dividend and rental income	6	1,188	1,299	1,301
Total revenue		**5,657**	**5,805**	**5,739**
Claims paid		4,642	4,377	4,720
Expected increase in outstanding claims liability	4	2,171	1,347	1,528
Net losses from other factors including COVID-19 on outstanding claims liability	4	257	634	–
Changes in unexpired risk liability	8(F)	108	171	32
Total claim costs		**7,178**	**6,529**	**6,280**
Injury prevention costs	7	102	75	120
Enterprise change costs	7	101	85	100
Investment management costs	7	60	55	58
Operating costs	7	544	517	538
(Deficit) from insurance operations		**(2,328)**	**(1,456)**	**(1,357)**
Net gains on investments	6	2,256	3,793	365
Net (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	(5,716)	(10,733)	–
Net (losses) from changes in discount and inflation rates on unexpired risk liability	8(F)	(158)	(261)	–
Net (deficit)		**(5,946)**	**(8,657)**	**(992)**
Total comprehensive revenue and expense for the year		**(5,946)**	**(8,657)**	**(992)**

Consolidated statement of changes in reserves (equity)

For the year ended 30 June 2020

$M	Actual 2020	Actual 2019	Unaudited Budget 2020
Total Account reserves			
Balance at the beginning of the year (deficit)	(10,013)	(1,356)	(4,443)
Total comprehensive revenue and expense for the year	(5,946)	(8,657)	(992)
Balance at the end of the year (deficit)	**(15,959)**	**(10,013)**	**(5,435)**

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2020

$M	Notes	Actual 2020	Actual 2019	Unaudited Budget 2020
Account reserves				
Motor Vehicle Account		(2,241)	(1,123)	237
Non-Earners' Account		(9,225)	(7,632)	(6,011)
Earners' Account		(1,952)	(645)	41
Work Account		1,336	1,979	2,222
Treatment Injury Account		(3,877)	(2,592)	(1,924)
Total Account reserves (deficit)		**(15,959)**	**(10,013)**	**(5,435)**
Represented by:				
Assets				
Cash and cash equivalents	11	256	86	44
Cash pledged as collateral	9(D)	34	–	–
Receivables	12	334	784	347
Accrued levy revenue	13	2,419	2,400	2,411
Investments	9	47,643	45,084	42,797
Derivative financial instruments	10	906	957	–
Property, plant and equipment, and intangible assets	15	173	169	207
Total assets		**51,765**	**49,480**	**45,806**
Less liabilities				
Cash collateral received	9(D)	641	851	–
Payables and accrued liabilities	16	1,890	1,866	1,158
Derivative financial instruments	10	176	57	–
Provisions	17	72	108	–
Unearned levy liability	8(E)	2,012	2,088	2,086
Unexpired risk liability	8(F)	1,470	1,204	866
Outstanding claims liability	8(C)	61,463	53,319	47,131
Total liabilities		**67,724**	**59,493**	**51,241**
Net assets (liabilities)		**(15,959)**	**(10,013)**	**(5,435)**

For and on behalf of the Board, which authorised the issue of these financial statements on 30 October 2020:

Dame Paula Rebstock DNZM

Dame Paula Rebstock DNZM
Board Chair
Date: 30 October 2020

James Miller
Temporary Deputy Chair
Date: 30 October 2020

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2020

$M	Note	Actual 2020	Actual 2019	Unaudited Budget 2020
Cash flows from operating activities				
Cash was provided from:				
Levy revenue		4,432	4,320	4,322
Investment income		1,237	1,306	1,301
Other revenue		2	1	1
		5,671	5,627	5,624
Cash was applied to:				
Payments towards injury treatment and prevention		5,247	5,050	5,487
Goods and services tax (net)		10	7	(2)
		5,257	**5,057**	**5,485**
Net cash movement from operating activities		**414**	**570**	**139**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		68,374	55,482	70,000
Proceeds from sale of collateral		9,550	3,390	–
		77,924	**58,872**	**70,000**
Cash was applied to:				
Payment for investments		68,333	56,679	70,069
Payment for collateral		9,782	2,732	–
Payment for property, plant and equipment, and intangible assets		53	60	70
		78,168	**59,471**	**70,139**
Net cash movement from investing activities		**(244)**	**(599)**	**(139)**
Net increase (decrease) in cash and cash equivalents		**170**	**(29)**	–
Cash and cash equivalents – opening balance		**86**	**115**	**44**
Cash and cash equivalents – closing balance	**11**	**256**	**86**	**44**

The accompanying notes form part of these financial statements.

Reconciliation of the net cash inflow from operating activities with the reported net (deficit)

$M	Note	Actual 2020	Actual 2019	Unaudited Budget 2020
Net (deficit)		**(5,946)**	**(8,657)**	**(992)**
Add (less) items classified as investing activities:				
Realised (gains) on sale of investments		(1,662)	(1,480)	–
Add (less) non-cash items:				
Depreciation and amortisation		49	46	49
Unrealised (gains) losses on investments		(596)	(2,303)	(365)
Movement in provisions		(36)	(72)	–
Change in fair value of levy receivables		26	14	–
Movement in unexpired risk liability		266	432	32
Increase in outstanding claims liability	4	8,144	12,714	1,528
Add (less) movements in working capital items:				
Receivables and accrued levy revenue		116	(292)	(197)
Payables and accrued liabilities		129	17	2
Unearned levy liability		(76)	151	82
Net cash inflow from operating activities		**414**	**570**	**139**

The accompanying notes form part of these financial statements.

Reporting and Funding by Account

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

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

Sections 166A and 166B of the AC Act requires the Government to issue a funding policy setting out the criteria on how to fully fund the levied Accounts including the earners' portion of the Treatment Injury Account. 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 8 July 2020 (Gazette No. 2020-go2045).

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 cost of post-2001 claims are fully funded using central estimates. The risk margin, that allows for the relative uncertainty and is included in the outstanding claims estimate, is not funded. Pre-2001 claims are funded on an annual pay-as-you-go basis.

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

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

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

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

MOTOR VEHICLE ACCOUNT

For the year ended 30 June 2020

$M	Notes	Actual 2020	Actual 2019	Unaudited Budget 2020
Levy revenue[i]		444	425	459
Interest, dividend and rental income		377	400	373
Total revenue		**821**	**825**	**832**
Claims paid[ii]		618	596	658
Expected increase in outstanding claims liability	4	500	287	340
Net (gains) losses from other factors including COVID-19 on outstanding claims liability	4	(165)	233	–
Changes in unexpired risk liability	8(F)	3	39	(1)
Total claim costs		**956**	**1,155**	**997**
Injury prevention costs		8	10	11
Operating, investment management and enterprise change costs		90	83	88
(Deficit) from insurance operations		**(233)**	**(423)**	**(264)**
Net gains on investments		747	1,270	106
Net (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	(1,595)	(3,045)	–
Net (losses) from changes in discount and inflation rates on unexpired risk liability	8(F)	(37)	(60)	–
Net (deficit)		**(1,118)**	**(2,258)**	**(158)**
Total comprehensive revenue and expense for the year		**(1,118)**	**(2,258)**	**(158)**
Account reserve – opening balance		(1,123)	1,135	395
Total comprehensive revenue and expense for the year		(1,118)	(2,258)	(158)
Account reserve – closing balance (deficit)		**(2,241)**	**(1,123)**	**237**
Outstanding claims liability		**16,385**	**14,455**	**12,581**
Net assets excluding OCL		**14,144**	**13,332**	**12,818**

Notes:

(i) The Motor Vehicle Account derives its funds from:

- levies on motor vehicle ownership
- the levies portion of the excise duty on petrol
- the motorcycle safety levy on moped and motorcycle owners.

(ii) These funds are applied in accordance with the AC Act in respect of motor vehicle injury suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

NON-EARNERS' ACCOUNT

For the year ended 30 June 2020

$M	Notes	Actual 2020	Actual 2019	Unaudited Budget 2020
Funds appropriated by Parliament(i)		1,469	1,467	1,464
Less funding of Treatment Injury Account		(191)	(193)	(191)
Interest, dividend and rental income		113	121	145
Total revenue		**1,391**	**1,395**	**1,418**
Claims paid(ii)		1,193	1,170	1,243
Expected increase in outstanding claims liability	4	411	401	291
Net losses from other factors including COVID-19 on outstanding claims liability	4	46	54	–
Total claim costs		**1,650**	**1,625**	**1,534**
Injury prevention costs		23	20	26
Operating, investment management and enterprise change costs		109	112	120
(Deficit) from insurance operations		**(391)**	**(362)**	**(262)**
Net gains on investments		231	380	41
Net (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	(1,433)	(2,737)	–
Net (deficit)		**(1,593)**	**(2,719)**	**(221)**
Total comprehensive revenue and expense for the year		**(1,593)**	**(2,719)**	**(221)**
Account reserve – opening balance (deficit)		(7,632)	(4,913)	(5,790)
Total comprehensive revenue and expense for the year		(1,593)	(2,719)	(221)
Account reserve – closing balance (deficit)		**(9,225)**	**(7,632)**	**(6,011)**
Outstanding claims liability		**13,755**	**11,865**	**10,051**
Net assets excluding OCL		**4,530**	**4,233**	**4,040**

Notes:

(i) The Non-Earners' Account derives its funds from appropriations by Parliament.

(ii) These funds are applied in accordance with the AC Act in respect of personal injury (other than motor vehicle injury) to non-earners, suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

EARNERS' ACCOUNT

For the year ended 30 June 2020

$M	Notes	Actual 2020	Actual 2019	Unaudited Budget 2020
Levy revenue[i]		1,740	1,752	1,735
Less funding of Treatment Injury Account		(76)	(139)	(72)
Other revenue		1	1	1
Interest, dividend and rental income		284	319	338
Total revenue		**1,949**	**1,933**	**2,002**
Claims paid[ii]		1,728	1,574	1,676
Expected increase in outstanding claims liability	4	661	338	433
Net (gains) losses from other factors including COVID-19 on outstanding claims liability	4	(12)	304	–
Changes in unexpired risk liability	8(F)	77	78	21
Total claim costs		**2,454**	**2,294**	**2,130**
Injury prevention costs		34	12	38
Operating, investment management and enterprise change costs		254	222	229
(Deficit) from insurance operations		**(793)**	**(595)**	**(395)**
Net gains on investments		505	880	94
Net (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	(934)	(1,844)	–
Net (losses) from changes in discount and inflation rates on unexpired risk liability	8(F)	(85)	(135)	–
Net (deficit)		**(1,307)**	**(1,694)**	**(301)**
Total comprehensive revenue and expense for the year		**(1,307)**	**(1,694)**	**(301)**
Account reserve – opening balance		(645)	1,049	342
Total comprehensive revenue and expense for the year		(1,307)	(1,694)	(301)
Account reserve – closing balance (deficit)		**(1,952)**	**(645)**	**41**
Outstanding claims liability		**12,553**	**10,970**	**9,990**
Net assets excluding OCL		**10,601**	**10,325**	**10,031**

Notes:

(i) The Earners' Account derives its funds from:

- levies payable by earners on their earnings
- levies from the purchase of weekly compensation by non-earners.

(ii) These funds are applied in accordance with the AC Act in respect of personal injury to earners (other than work injury or motor vehicle injury) suffered on or after 1 July 1992.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

WORK ACCOUNT

For the year ended 30 June 2020

$M	Notes	Actual 2020	Actual 2019	Unaudited Budget 2020
Levy revenue[i]		815	861	779
Interest, dividend and rental income		283	321	296
Total revenue		**1,098**	**1,182**	**1,075**
Claims paid[ii]		855	823	872
Expected increase in outstanding claims liability	4	189	37	142
Net losses from other factors including COVID-19 on outstanding claims liability	4	220	95	–
Changes in unexpired risk liability	8(F)	28	54	12
Total claim costs		**1,292**	**1,009**	**1,026**
Injury prevention costs		27	24	34
Operating, investment management and enterprise change costs		207	202	219
(Deficit) from insurance operations		**(428)**	**(53)**	**(204)**
Net gains on investments		490	820	82
Net (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	(669)	(1,249)	–
Net (losses) from changes in discount and inflation rates on unexpired risk liability	8(F)	(36)	(66)	–
Net (deficit)		**(643)**	**(548)**	**(122)**
Total comprehensive revenue and expense for the year		**(643)**	**(548)**	**(122)**
Account reserve – opening balance		1,979	2,527	2,344
Total comprehensive revenue and expense for the year		(643)	(548)	(122)
Account reserve – closing balance		**1,336**	**1,979**	**2,222**
Outstanding claims liability		**9,594**	**8,516**	**7,818**
Net assets excluding OCL		**10,930**	**10,495**	**10,040**

Notes:

(i) The Work Account derives its funds from levies payable by employers and earners who are self-employed.

(ii) These funds are applied in accordance with the AC Act in respect of:

- work injury suffered on or after 1 April 2000 by employees of employers who are insured by ACC, and for all employees' work injuries incurred on and after 1 July 2000
- work injury suffered on or after 1 July 1999 and before 1 July 2000 by self-employed persons who were insured by ACC, and for self-employed work injuries incurred on and after 1 July 2000
- accidents prior to 1 July 1999, that are non-work injury (other than motor vehicle injury) suffered by earners on or after 1 April 1974 and before 1 July 1992
- accidents, prior to 1 July 1999 that are work injury, other than motor vehicle injury, suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

Non-Compliers Fund

Included in the Work Account is the Non-Compliers Fund (the Fund). The Fund was set up to cover employees who were injured while working for an employer who had not taken out accident insurance during the time when the workplace accident insurance market was opened up for competition. The Fund was transferred to ACC following the restoration of ACC as sole provider of workplace accident insurance. The net surplus for the year ended 30 June 2020 for the Fund was $0.04 million (2019: $0.05 million). The Fund's reserve as at 30 June 2020 was $0.5 million (2019: $0.5 million).

CoverPlus Extra

There were 45,213 (2019: 42,132) CoverPlus Extra policies purchased as at 30 June 2020. CoverPlus Extra is an optional product that lets self-employed people and non PAYE shareholder employees negotiate a pre-agreed level of lost earnings compensation. Payments of $12.1 million (2019: $11.4 million) in weekly compensation relating to work-related injuries were paid to clients who had purchased weekly compensation under CoverPlus Extra policies from the Work Account during the year.

Non-work injury payments of $19.6 million (2019: $17.9 million) were paid from the other Accounts.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

TREATMENT INJURY ACCOUNT

For the year ended 30 June 2020

$M	Notes	Actual 2020	Actual 2019	Unaudited Budget 2020
Levy revenue[i]		267	332	263
Interest, dividend and rental income		131	138	149
Total revenue		**398**	**470**	**412**
Claims paid[ii]		248	214	271
Expected increase in outstanding claims liability	4	410	284	322
Net losses (gains) from other factors including COVID-19 on outstanding claims liability	4	168	(52)	–
Total claim costs		**826**	**446**	**593**
Injury prevention costs		10	9	11
Operating, investment management and enterprise change costs		45	38	40
(Deficit) from insurance operations		**(483)**	**(23)**	**(232)**
Net gains on investments		283	443	42
Net (losses) from changes in discount and inflation rates on outstanding claims liability	4 & 8(C)	(1,085)	(1,858)	–
Net (deficit)		**(1,285)**	**(1,438)**	**(190)**
Total comprehensive revenue and expense for the year		**(1,285)**	**(1,438)**	**(190)**
Account reserve – opening balance (deficit)		(2,592)	(1,154)	(1,734)
Total comprehensive revenue and expense for the year		(1,285)	(1,438)	(190)
Account reserve – closing balance (deficit)		**(3,877)**	**(2,592)**	**(1,924)**
Outstanding claims liability		**9,176**	**7,513**	**6,691**
Net assets excluding OCL		**5,299**	**4,921**	**4,767**

Notes:

(i) The Treatment Injury Account derives its funds from allocations from the Earners' Account (in the case of earners) and the Non-Earners' Account (in the case of the non-earners).

(ii) These funds are applied in accordance with the AC Act in respect of personal injury arising from medical misadventure suffered on or after 1 July 1992, and personal injury arising from treatment on or after 1 July 2005.

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2020

1. Statement of accounting policies

(A) REPORTING ENTITY

Accident Compensation Corporation (ACC) is designated as a Crown Agent under the Crown Entities Act 2004. ACC provides comprehensive 24-hour, no-fault personal injury cover for all New Zealand residents and visitors to New Zealand.

ACC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

(B) BASIS OF PREPARATION

The financial statements of ACC have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements comply with Tier 1 PBE accounting standards and have been prepared in accordance with the Accident Compensation Act 2001 (AC Act) and the Crown Entities Act 2004.

The financial statements are prepared on a historical cost basis unless otherwise stated. All balances are expressed in New Zealand dollars and rounded to the nearest million dollars ($M) unless otherwise stated.

The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted in preparing the financial statements. The budget figures are unaudited.

New and amended standards and interpretations

PBE IPSAS 34-38

PBE IPSAS 34-38 replace the existing standards for interests in other entities (PBE IPSAS 6-8). There is no impact on ACC as a result of this change.

Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to ACC are:

PBE IPSAS 41 FINANCIAL INSTRUMENTS

The XRB issued PBE IPSAS 41 *Financial Instruments* in March 2019. This standard supersedes PBE IFRS 9 *Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although ACC has not assessed the effect of the new standard, it does not expect any significant changes as requirements are similar to PBE IFRS 9.

PBE FRS 48 SERVICE PERFORMANCE REPORTING

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. ACC has not yet determined how application of PBE FRS 48 will affect its statement of performance.

CLIMATE RISK DISCLOSURES

The Task Force on Climate-related Financial Disclosures (TCFD) have established a framework that enables consistent and comparable climate-related financial risk disclosures and scenario analysis. ACC will become a supporter of TCFD and is working towards using the TCFD Framework to guide our climate-change disclosures. TCFD reporting requires ACC to report on its Governance, Strategy, Risk Management, and Metrics relating to climate change risks and opportunities. By 31 March 2021, ACC will have assessed the impact of adopting full TCFD reporting.

There are no other standards or amendments that have been issued, but are not yet effective, that are expected to have a significant impact on ACC.

(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes that they relate to.

2. Critical accounting judgements, estimates and assumptions

ACC makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

(A) OUTSTANDING CLAIMS LIABILITY (OCL)

In estimating the OCL, a central estimate plus a risk margin is adopted. Due to the uncertainty in the OCL estimate, and the number of assumptions required in its determination, it is highly likely that the actual experience will differ from the stated estimate. Standard actuarial techniques are used to formulate the central estimate, taking into account trends in historical claims data, reviewing current conditions that may impact future trends, and scanning the horizon for possible changes that may affect trends in the future.

Where possible, both the number of clients receiving payments and the average amount of these payments are analysed separately. When claim numbers are too unstable for this method to be reliable, an analysis of aggregate payments is undertaken.

The following actuarial valuation techniques are used to project the various benefit types:

- payment per active claim method
- payment decay method
- individual claim projection method.

Some elements of the claims liability are subject to more uncertainty than others. For past injury years, a higher proportion of the ultimate number of claims for each year will have been reported. These reported claims will have a longer history of payments and a smaller outstanding amount, all other things being equal, than claims reported in more recent injury years. Incurred but not reported (IBNR) claims have no payment history and must be estimated in their entirety. Hence the OCL estimate for more recent injury years will be subject to more uncertainty.

The general sources of uncertainty include:

- actual future claim costs that differ from those expected due to unanticipated changes to Scheme utilisation, inflationary trends and claim durations
- the actual timing of claim payments differs from those expected
- unanticipated changes in operational processes that affect claim payments
- future advances in medicine and treatment that may impact recovery periods, cost structures and Scheme utilisation
- periodic review of ACC legislation and court decisions can result in entitlements that are not anticipated.

In general, the largest area of uncertainty affecting the OCL is the future costs associated with personal and social rehabilitation support services provided to individuals experiencing significant disability as a result of an injury, in particular the cost of personal care services whether they be home- or residential-based care. These may involve anything from helping with daily duties to providing nursing care services. The number of hours per day, types of service required, provider type and average costs per hour are key assumptions that need to be projected decades into the future. The estimate carries with it a wider range of uncertainty, due to the length of the projection period and the variation of disabilities and/or demonstrated independent participation by the clients.

The estimated future cash payments are discounted using a risk-free rate based on the yield curves of New Zealand government bond rates.

(B) GRADUAL PROCESS CLAIMS

These claims are a result of injuries that have occurred due to prolonged exposure in the workplace to conditions that result in some form of harm. The most common examples of such claims are asbestosis (due to prolonged exposure to asbestos dust in the atmosphere) and hearing loss (due to prolonged exposure to excessive noise).

Due to the nature of these injuries, many years can pass between exposure to the conditions that result in harm and the individual receiving treatment or suffering incapacity.

A gradual process claim can be made when a person is regarded as suffering personal injury caused by work-related gradual process, disease or infection which is in accordance with section 37 of the AC Act. The claim can be made at the earlier of either the date that the person first receives treatment or the date that the injury first results in incapacity.

ACC's accounting policy is to recognise a financial liability for gradual process injury only when a claim is made. The effect of this policy is that until the injury presents itself such that the person receives treatment or suffers incapacity and makes a claim, ACC does not record a liability in the OCL.

(C) ACCRUED LEVY REVENUE

Levies required to fund the Work Account are invoiced directly to employers or self-employed persons based on their respective liable earnings at the applicable levy rate.

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

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

(D) GOING CONCERN ASSUMPTION

These financial statements are prepared on a going concern basis, reflecting the Government’s ongoing obligation to fund the Scheme and the long-term nature of its funding policy pursuant to sections 166 A and B of the Accident Compensation Act.

The Board has considered a combination of circumstances and their likelihood which could create uncertainty over the going concern assumption. We are particularly mindful that in the circumstances when interest rates continue to fall to historically low levels, the Outstanding Claims Liability increases to historically high levels requiring increased funding to meet the future costs of current claims, and the likelihood of funding deficits increases. ACC has a statutory obligation to operate the scheme whilst the Government has the obligation to fund the scheme through levies and appropriations so that ACC is able to properly operate. The regulatory scheme contemplates periods when funding of some Accounts will be inadequate and catch-up funding will occur at a later stage. In the circumstances where the Crown has elected for a period to not fund the deficit in the Crown funded accounts (Non-Earners’ Account and Non-Earners’ portion of the Treatment Injury Account), and or not approve the levy changes recommended to the Crown by the Board, a financial deficit results. Were this to continue for some years an increasing significant financial deficit would accumulate, as seen in the 2018/2019 and these 2019/20 Financial Statements.

Going forward over the next 12 months we expect that the difficult economic environment arising from Covid 19 may result in an increase in the financial deficit of the organisation, increasing the gap between ACC's liability for the future costs of current claims and the investments we hold to meet that liability. ACC levy recommendations to meet the Funding Policy have been declined in full or in part by the Government in recent years, as have Government appropriations to the non-levied accounts. Where this position continues and combined with further decreasing interest rates, it is possible that as well as an increasing large financial deficit in the next 12 months, ACC may not have sufficient revenue to meet the costs of claims and operating the scheme. ACC has a statutory obligation to pay those costs and operate the scheme, and in that situation the organisation would have no choice but to sell investments that have been made in previous years from levies which have been reserved to meet the future costs of prior year and current claims yet to be settled. Further sell down of reserved investments does not meet the intergenerational principles that underpin the full funding requirement in the ACC Act and future levy payers will then have to meet those costs of current claimants settled in future periods. Further drawdowns from reserves would therefore only be done in exigent circumstances such as the inability to pay debts as they fall due arising from prolonged underfunding.

(E) NATURE AND EXTENT OF IMPACTS FROM COVID-19

Claims liability

COVID-19 has brought additional economic uncertainty which may impact future claim patterns. This will cause OCL volatility as the economic conditions unfold and claim patterns emerge. There has been an adjustment made for the volume of new claims received between April 2020 and June 2020 due to lockdown. No changes have been made to future claim patterns due to COVID-19.

The OCL increased by $8.1 billion during the year of which $7.3 billion is due to falling interest rates partly offset by $1.6 billion due to changes in inflation rates. Both of these factors are outside of ACC's control.

Refer to note 8.

Claims paid

During the lockdown period, medical treatment services experienced a significant drop in claim volumes from closures, reductions in new claims, or clients not presenting for treatments. While rehabilitation services were impacted to a lesser extent with essential supports such as care services remaining at near normal levels, some rehabilitation services were lower than expected due to fewer referrals, restrictions to provider operations and clients not seeking support. Once in alert level 2 and 1, treatment and rehabilitation services began to move back to usual levels. This contributed to treatment and rehabilitation costs being $129m lower than budgeted for the year.

Some of the treatment and rehabilitation services not delivered during lockdown (ie elective surgery) will be deferred and could result in higher costs in 2020/21 for treatment and rehabilitation as well as compensation costs for clients with an extended durations on the Scheme.

Refer to note 4.

Investment income

The onset of COVID-19 had a significant impact on investment markets, with global equity markets falling considerably, sovereign bonds rallying and credit spreads widening from late February 2020. This initially had a large impact on the ACC Reserves Portfolio which lost 14.3% ($6.8 billion) from 22 February 2020 up to 19 March 2020. Following this, the investment markets recovered resulting in ACC reversing the initial losses incurred. By 30 June 2020 the overall impact on the ACC Reserves Portfolio from 22 February 2020 was a gain of 0.4% ($0.2 billion).

Refer to note 6.

Investment assets

The volatility in investment markets caused by COVID-19 provided opportunities for ACC to invest into markets where the long term expected returns were enhanced. This resulted in allocating a higher proportion of the ACC Reserves Portfolio towards equity assets through the purchase of equity securities and the use of global equity futures. Purchases of equity securities were funded through withdrawals from fixed interest portfolios. The heightened uncertainty associated with COVID-19 has been included in the determination of the fair value of unlisted private market assets. This increased risk is reflected in the cost of equity assumptions and in the discount rates applied in the calculations. There were no material impairments to individual investment assets beyond those experienced through a reduction in investment market prices.

Refer to note 9.

Levy revenue

The accrued levy revenue at 30 June 2020 includes revenue for the levy year 1 April 2020 to 31 March 2021 for the Earners' and Work Accounts as well as uninvoiced revenue for levy periods up to 30 June 2020. ACC delayed invoicing to business customers due to the economic impact of COVID-19 and to provide temporary financial relief for these customers. Therefore for the levy year 1 April 2019 to 31 March 2020, there is a higher level of invoicing that will be delayed to the new financial year which has been accrued at balance date. In addition an allowance for expected credit loss for this accrued levy revenue has been assessed taking into account a higher rate of default from the aftermath of COVID-19. The accrued levy revenue for the levy year 1 April 2020 to 31 March 2021 is assessed using the Inland Revenue's earnings data which is assessed at 1.87% lower than the liable earnings for levy year 1 April 2019 to 31 March 2020. In addition the wage subsidy from the Government is excluded in assessing the liable earnings for the self-employed.

Refer to note 13.

Fair value assessment for levy receivables

Customer credit risk is managed subject to ACC's policy, procedures and control relating to customer credit risk management. An analysis is performed at each reporting date using a provision matrix to measure expected credit losses for levy receivables.

ACC ceased collection activity at the end of March 2020 with the impact of COVID-19 on business customers. Given the uncertainty around the impacts and the unknown, collection activity will only be recommenced in the new financial year.

Larger expected credit loss estimates has been assessed to take into consideration higher rate of default of business customers due to cessation of collection activity and economic impact of COVID-19 on the viability of businesses.

Refer to note 12.

3. Long term financial sustainability risk

The sufficiency of Scheme assets to meet its liabilities is primarily measured using Account funding ratios. Any deficiency in assets is referred to as a "funding deficit". Any excess in assets is referred to as a "funding surplus".

The Financial Sustainability section of the Annual Report sets out a reconciliation of balance sheet net liabilities per Account as at 30 June 2020 with the related "funding deficit or surplus" between assets and liabilities, in accordance with the funding policy.

As at 30 June 2020, funding ratios have deteriorated significantly, increasing a longer-term financial sustainability risk for the Scheme. Where levy revenue is insufficient to cover new year claim costs and/or the funding ratio is below 100%, at some point levies will need to increase. This will pass on the burden of funding already incurred injuries to future levy payers. The timing and extent of those increases will depend on the degree to which an Account is underfunded or whether there is a new year claims cost shortfall.

The OCL increased by $8.1 billion during the year (2019: $12.7 billion), of which $7.3 billion (2019: $10.8 billion) is due to falling interest rates partly offset by $1.6 billion (2019: $0.06 billion) due to changes in inflation rates. Both of these factors are outside of ACC's control. The increase has a significant impact on the funding ratios of ACC's Accounts.

The Financial Sustainability section of the Annual Report shows the historic ratios, restated, based on the new funding policy. This section also sets out the estimated movement in levy rates from current levels to cover the new year claims costs for 2020/21 and to close the 30 June 2020 funding gap.

4. Underwriting result

Underwriting in terms of ACC relates to the core business of collecting levies and paying for accident compensation and rehabilitation, excluding any investment activities. The below underwriting result is extracted from the statement of comprehensive revenue and expense:

$M	2020 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	2019 Total
Net levy revenue	**4,468**	**444**	**1,278**	**1,664**	**815**	**267**	**4,505**
Rehabilitation (including treatment) costs							
Vocational rehabilitation	96	9	1	56	28	2	109
Social rehabilitation	839	236	256	142	97	108	789
Medical treatment	846	29	347	344	110	16	833
Hospital treatment	375	24	82	181	59	29	371
Public health acute services	555	55	348	113	36	3	514
Dental treatment	28	1	14	10	3	–	31
Conveyance for treatment	162	25	87	36	12	2	143
	2,901	**379**	**1,135**	**882**	**345**	**160**	**2,790**
Compensation costs							
Income maintenance	1,502	188	15	773	463	63	1,328
Independence allowances	59	9	26	12	9	3	79
Lump sums	42	6	6	8	12	10	47
Death benefits	93	31	6	33	16	7	92
	1,696	**234**	**53**	**826**	**500**	**83**	**1,546**
Miscellaneous costs	45	5	5	20	10	5	41
Claims paid	**4,642**	**618**	**1,193**	**1,728**	**855**	**248**	**4,377**
Claims handling costs	525	65	98	200	126	36	479
Increase in outstanding claims liability							
Expected change	2,179	500	409	670	190	410	1,363
Effect of model recalibration	(8)	–	2	(9)	(1)	–	(16)
	2,171	500	411	661	189	410	1,347
Net losses (gains) from changes in discount and inflation rates and other factors on outstanding claims liability							
Effect of claims experience and modelling	651	(91)	98	142	287	215	634
Effect of COVID-19	(394)	(74)	(52)	(154)	(67)	(47)	–
Effect of changes in economic assumptions	5,716	1,595	1,433	934	669	1,085	10,733
	5,973	1,430	1,479	922	889	1,253	11,367
Increase in outstanding claims liability	8,144	1,930	1,890	1,583	1,078	1,663	12,714
Total claims incurred	**13,311**	**2,613**	**3,181**	**3,511**	**2,059**	**1,947**	**17,570**
Movement in unexpired risk liability	266	40	–	162	64	–	432
Other underwriting costs	222	14	28	74	94	12	198
(Deficit) from underwriting activities	**(9,331)**	**(2,223)**	**(1,931)**	**(2,083)**	**(1,402)**	**(1,692)**	**(13,695)**
Net investment income	3,384	1,105	338	775	759	407	5,037
Other revenue	1	–	–	1	–	–	1
Net (deficit)	**(5,946)**	**(1,118)**	**(1,593)**	**(1,307)**	**(643)**	**(1,285)**	**(8,657)**

5. Net levy revenue

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. This accrual is estimated based on expected liable earnings at the applicable levy rate, with the assumption that the levy revenue is earned evenly over the levy period. The proportion of levies not earned at the reporting date is recognised in the statement of financial position as unearned levy liability.

$M	2020	2019
Government appropriations	1,469	1,467
Levy revenue	3,066	3,052
(Less):		
Change in fair value of levy receivables	(26)	(14)
Change in fair value of accrued levy revenue	(41)	–
Total net levy revenue	**4,468**	**4,505**

Levy revenue is from exchange transactions.

6. Investment income

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

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

Each of ACC's Accounts 'holds' a portion of different investment portfolios. These holding proportions are adjusted whenever an Account places additional funds into, or withdraws funds from, an investment portfolio. Investment income from each investment portfolio is allocated between the Accounts daily based on the Accounts' daily proportionate 'ownership'. Some derivative positions are allocated directly between Accounts rather than to investment portfolios, with all associated income from these positions directly allocated to the relevant Accounts.

$M	2020	2019
Interest, dividend and rental income		
Interest revenue		
Financial assets classified as fair value through surplus or deficit	719	767
Financial assets classified as held for trading	72	94
	791	**861**
Rental revenue from investment properties	15	17
Revenue from service concession arrangement	5	5
Dividend income	407	435
Other fee income	4	11
Gross interest, dividend and rental income	**1,222**	**1,329**
Direct investment costs		
Foreign withholding tax	12	11
Investment property costs	–	1
Other direct investment costs	22	18
Total direct investment costs	**34**	**30**
Interest, dividend and rental income	**1,188**	**1,299**
Gains on investments		
Change in fair value of financial assets classified as fair value through surplus or deficit	1,791	3,225
Change in fair value of financial assets classified as held for trading	465	568
Net gains on investments	**2,256**	**3,793**
Investment income	**3,444**	**5,092**
Investment management costs	60	55
Net investment income	**3,384**	**5,037**

Investment income is net of direct investment costs, such as trading costs, to be consistent with the calculation of investment performance. The other costs excluding direct investment costs are classified as investment management costs.

7. Analysis of operating expenses

Total expenses comprising investment management, injury prevention, enterprise change and operating costs are allocated to Accounts using an activity-based costing methodology.

(A) EXPENSES BY FUNCTION:

$M	2020	2019
Investment management costs	60	55
Injury prevention costs	102	75
Enterprise change costs	101	85
Operating costs	544	517
Total expenses	**807**	**732**

(B) INCLUDED IN THE ABOVE ARE:

$M	2020	2019
Computer expenses	57	54
Professional expenses	16	13
Rental of office premises and equipment	25	22
Travel and accommodation	5	5
Depreciation and amortisation	49	46
Personnel expenditure	371	341
Restructuring costs (write-back)	(3)	7
Other expenditure	287	244
	807	**732**

Operating costs increase from last year is mainly from personnel expenditure due to a combination of inflation and a temporary increase in resources to support the roll-out of the new case management model.

Other expenditure increase is mainly from injury prevention costs due to ACC's contribution to the Government's firearms buyback scheme.

Personnel expenditure

Personnel expenditure includes salaries, superannuation, contractors' costs, ACC levies paid and movement in the provision for employee benefits, but excludes termination benefits, which are included in restructuring costs. The defined contribution superannuation expense for the group was $29.1 million (2019: $27.0 million).

Auditor remuneration

Included in other operating expenses are fees paid to ACC's auditors (EY) of:

$000	2020	2019
Total audit fee	705	670
Other services including:		
Accounting advice	–	3
Actuarial survey	2	2
Environmental social governance framework quality assurance	43	–
Independent IT quality assurance services	670	1,008
Independent contract mediation support	4	–
Information security and management capability development review	23	–
Total other services	742	1,013
Total fees to EY	**1,447**	**1,683**

Enterprise change costs

$M	Actual 2020	Actual 2019	Unaudited Budget 2020
Capital expenditure	53	60	60
Operating expenditure	101	85	100
Total	**154**	**145**	**160**

This includes replacing major information technology systems and rolling out the new case management model as part of ACC's transformation programme.

8. Insurance disclosures

(A) CLAIMS INCURRED

The below table relates to the claims incurred this financial year that includes the valuation of the OCL and claims payments during the year. Current year claims relate to injuries suffered in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (e.g. changes in economic assumptions, risk margin and claims experience) made in all previous financial years, and include the effects of discounting caused by changes in the discount rate and natural unwinding of the discount as the claims move one year closer to settlement.

	2020			2019		
$M	Current year	Prior years	Total	Current year	Prior years	Total
Undiscounted	9,584	(3,821)	5,763	10,018	(601)	9,417
Discount movement	(2,725)	10,273	7,548	(3,424)	11,577	8,153
Total claims incurred	**6,859**	**6,452**	**13,311**	**6,594**	**10,976**	**17,570**

(B) ACTUARIAL RESULT

The actuarial view of the underwriting result is summarised as follows:

$M	2020	2019
Net levy revenue	**4,468**	**4,505**
Claims incurred		
Lifetime cost of new claims anticipated over the year	6,330	5,172
Effect of model recalibration	(8)	(16)
Effect of discount unwind	669	692
Effect of risk margin unwind	(365)	(338)
Effect of claims experience and modelling	651	634
Effect of COVID-19	(394)	–
Effect of changes in economic assumptions	5,716	10,733
Effect of payments experience	187	214
Claims handling costs	525	479
Total claims incurred	**13,311**	**17,570**
Movement in unexpired risk liability	266	432
Other underwriting costs	222	198
(Deficit) from underwriting activities	**(9,331)**	**(13,695)**
Net investment revenue	3,384	5,037
Other revenue	1	1
Net (deficit)	**(5,946)**	**(8,657)**

(C) OUTSTANDING CLAIMS

PBE IFRS 4 *Insurance Contracts* requires an outstanding claims liability to be recognised and to be measured as the central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for the inherent uncertainty in the central estimate. The outstanding claims liability is to be discounted for the time value of money using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations.

The outstanding claims liability consists of expected future payments associated with:

- claims reported and accepted as at the valuation date that remain unsettled as at the valuation date
- claims incurred but not reported to, or accepted by, ACC as at the valuation date
- closed claims that are expected, on the basis of actuarial projections, to be reopened after the valuation date
- the costs of managing reported but unsettled, reopened and IBNR (incurred but not yet reported) claims.

The outstanding claims liability is the central estimate of the present value of expected future payments on claims occurring on or before the balance date, 30 June 2020, 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 are not yet reported are not included in the outstanding claims liability. ACC's major exposure to gradual process or latent claims is in respect of hearing loss and asbestos-related injuries. Section 37 of the AC Act states that a person is considered injured when:

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

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

However, in order to highlight the potential payments related to persons who may have suffered exposure to conditions of harm but have not yet suffered incapacity or made a claim on ACC, an assessment of the potential payments under such future claims has been made. The present value of the obligation for all future gradual process claims not yet made is estimated at $1,782 million (2019: $1,705 million). This is only for claims arising due to noise-induced hearing loss and exposure to asbestos, being the types of gradual process claims where sufficient data is available to permit a reasonable estimate of the obligation.

(a) Outstanding claims liability (discounted)

The future claim payments are brought to present value as at the valuation date using a risk-free discount rate.

$M	30 June 2020 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	30 June 2019 Total
Central estimate of present value of future claims payments	51,598	13,604	11,586	10,690	7,941	7,777	44,638
Present value of the operating costs of meeting these claims	**2,795**	**794**	**501**	**558**	**656**	**286**	**2,553**
	54,393	14,398	12,087	11,248	8,597	8,063	47,191
Risk margin	7,070	1,987	1,668	1,305	997	1,113	6,128
Outstanding claims liability	**61,463**	**16,385**	**13,755**	**12,553**	**9,594**	**9,176**	**53,319**
As at beginning of year	53,319	14,455	11,865	10,970	8,516	7,513	40,605
Movement during the year	**8,144**	**1,930**	**1,890**	**1,583**	**1,078**	**1,663**	**12,714**
Current	4,836	857	909	1,686	797	587	4,598
Non-current	56,627	15,528	12,846	10,867	8,797	8,589	48,721
Total outstanding claims liability with risk margin	**61,463**	**16,385**	**13,755**	**12,553**	**9,594**	**9,176**	**53,319**

(b) Reconciliation of movement in discounted outstanding claims liability

The following analysis reconciles the year on year movement of the actuarially assessed outstanding claims liability by the key drivers of the movement.

The broad definition of each movement category is:

(i) Model recalibration – the population exposure was updated during 2020 which involved changing population estimate for the June 2019 quarter. This resulted in an adjustment to the opening balance.

(ii) Inflation assumptions – external assumptions made concerning inflationary factors that include labour cost inflation, average wage inflation, consumer price index (CPI). Future CPI assumptions are prescribed by the Treasury.

(iii) Discount rates – estimated future cash payments, which are adjusted in line with expectations of future inflation, are discounted using a risk free rate that is based on the yield curves of New Zealand government bond rates and prescribed by the Treasury.

(iv) Claims experience and modelling – changes to actuarial assumptions and/or methods to reflect actual experience and/or future events that may have an impact on the number and size of claims.

(v) COVID-19 – the lock down led to a significant reduction in claims activity for which the impact is separately quantified.

(vi) Payments experience – the difference between actual and projected payments.

(vii) Discount unwind – as prior claims move one year closer to the date of expected payment, the reduction in the number of years over which discounting takes place is termed as the discount unwind.

(viii) Risk margin unwind – the removal of the risk margin on the current years expected claims payments for non-current claims is termed as the risk margin unwind.

(ix) Claims anticipated over the year – the expected claim and claims handling costs arising from new accidents in the year to 30 June 2020. The cost is the present value of projected payments post 30 June 2019 plus the expected payments to be made in the year ended 30 June 2020.

(x) Claims payments and handling costs – the actual claims paid and the actual claims handling costs incurred during the year ended 30 June 2020.

$M	30 June 2020 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	30 June 2019 Total
Outstanding claims brought forward	**53,319**	**14,455**	**11,865**	**10,970**	**8,516**	**7,513**	**40,605**
Effect of model recalibration	(8)	–	2	(9)	(1)	–	(16)
Effect of changes in inflation assumptions	(1,564)	(430)	(424)	(288)	(177)	(245)	(60)
Effect of changes in discount rates	7,280	2,025	1,857	1,222	846	1,330	10,793
Effect of claims experience and modelling	651	(91)	98	142	287	215	634
Effect of COVID-19	(394)	(74)	(52)	(154)	(67)	(47)	–
Effect of payments experience	187	16	18	125	9	19	(124)
Effect of discount unwind	669	179	145	130	122	93	692
Effect of risk margin unwind	(365)	(70)	(69)	(116)	(77)	(33)	–
Claims anticipated over the year	6,855	1,058	1,606	2,459	1,117	615	5,651
Incurred claims recognised in the underwriting result	**13,311**	**2,613**	**3,181**	**3,511**	**2,059**	**1,947**	**17,570**
Claims payments and handling costs	(5,167)	(683)	(1,291)	(1,928)	(981)	(284)	(4,856)
Outstanding claims carried forward	**61,463**	**16,385**	**13,755**	**12,553**	**9,594**	**9,176**	**53,319**

(c) Claims development table

The following table shows the development of undiscounted claim cost estimates for the seven most recent accident years.

$M	Accident year 2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claim costs:								
At end of accident year	7,264	7,192	6,884	7,914	8,038	8,828	8,367	
One year later	6,547	6,682	7,272	7,160	7,738	9,137	–	
Two years later	5,823	7,062	7,230	7,430	7,655	–	–	
Three years later	6,252	7,382	7,518	7,500	–	–	–	
Four years later	6,316	7,261	7,246	–	–	–	–	
Five years later	6,229	6,755	–	–	–	–	–	
Six years later	5,967	–	–	–	–	–	–	
Current estimate of cumulative claim costs	**5,967**	**6,755**	**7,246**	**7,500**	**7,655**	**9,137**	**8,367**	**52,627**
Cumulative payments	(1,984)	(2,145)	(2,178)	(2,201)	(2,259)	(2,164)	(1,218)	(14,149)
Outstanding claims – undiscounted	**3,983**	**4,610**	**5,068**	**5,299**	**5,396**	**6,973**	**7,149**	**38,478**
Discount								(16,063)
Claims handling costs								3,154
Prior to 2014 and other claims								35,879
Short tail outstanding claims								15
Outstanding claims – per statement of financial position								**61,463**

(d) Key assumptions

An independent actuarial estimate by Taylor Fry, consulting actuary, has been made of the future expenditure relating to accidents that occurred prior to balance date, whether or not the claims have been reported to or accepted by ACC. The Taylor Fry actuarial report is signed by Mr Alan Greenfield, Fellow of the Institute of Actuaries of Australia and Mr Ross Simmonds, Fellow of the New Zealand Society of Actuaries. Mr Ross Simmonds is also a Fellow of the Institute and Faculty of Actuaries (UK).

The actuarial estimate has been made based on actual experience to 30 June 2020. The calculation of the outstanding claims liability has been made in accordance with the standards of the New Zealand Society of Actuaries' Professional Standard No.4: *General Insurance Business* and PBE IFRS4 *Insurance Contracts*.

In determining the actuarial estimate, the independent actuaries have relied on information supplied by ACC. The independent actuaries have indicated they are satisfied as to the nature, sufficiency and accuracy of the information provided.

The table in Note 8(C), Outstanding claims liability (discounted), shows the actuarial estimate of the present value of the outstanding claims liability that will be payable in future years. The actual outcome is likely to range about this estimate and, like any such forecast, is subject to uncertainty.

The main long-term assumptions used in the above estimates are:

	2020		2019	
%pa	Year 1	Beyond Year 1	Year 1	Beyond Year 1
Discount rate	0.22%	0.25% to 4.30%	1.26%	1.03% to 4.30%
Inflation rates:				
weekly compensation(i)	2.5%	1.2% to 2.2%	2.0%	1.9% to 2.2%
impairment benefits	2.5%	1.0% to 2.0%	1.5%	1.7% to 2.0%
social rehabilitation benefits	1.0%	1.4% to 2.2%	1.9%	1.9% to 2.2%
hospital rehabilitation benefits	1.0%	1.4% to 2.2%	1.9%	1.9% to 2.2%
short-term medical costs	1.0%	1.4% to 2.2%	1.9%	1.9% to 2.2%
other medical costs	1.0%	1.4% to 2.2%	1.9%	1.9% to 2.2%
Superimposed inflation:				
social rehabilitation benefits (contracted care)(ii)	0.2%	1.0% to 3.9%	1.4%	0.0% to 2.0%
Social rehabilitation benefits (non -contracted care rate)(ii)	0.0%	1.0% to 3.8%		
Social rehabilitation benefits (residential care)(ii)	0.0%	0.5% to 3.0%		
social rehabilitation benefits (serious injury capital expenditure)(iii)	0.7%	0.8% to 3.3%	0.7%	0.8% to 3.2%
hospital rehabilitation benefits(iv)	3.0%	3.0%	3.0%	3.0%
short-term medical costs (general practitioners)	2.0%	2.0%	2.0%	2.0%
short-term medical costs (radiology)	2.0%	2.0%	2.0%	2.0%
short-term medical costs (physiotherapists)	2.0%	2.0%	2.0%	2.0%
other medical costs	2.0%	2.0%	2.0%	2.0%
Weighted average risk margin	13.0%		13.0%	
Weighted average claims handling costs ratio	5.4%		5.7%	

Notes:

(i) Growth in weekly compensation benefits for existing accidents is inflated based on the Labour Cost Index (LCI). Growth in underlying wages to set starting levels of weekly compensation for future accidents is inflated using Average Weekly Earnings.

(ii) Growth in liability due to increases in carer wages and residential care above LCI. Note this does not include increases in the hours of care provided or the effect of clients moving between care providers.

(iii) Capital expenditure: motor vehicle and housing modifications, along with other capital expenditure provided to those seriously disabled due to an accident, have been increasing significantly over the past years.

(iv) Predominantly elective surgery costs.

(i) Process used to determine assumptions

DISCOUNT RATE

The risk-free rates are prescribed by the Treasury and based predominantly on the yield curve of the New Zealand government bond rates. The longest term of a current non inflation-indexed New Zealand government bond is approximately 20 years from now. Discount rates beyond 20 years are smoothed over a minimum of 10 years to eventually attain the long-term risk-free discount rate of 4.30%. This long-term rate is based on an examination of average New Zealand government bonds over an extended period of time. This discounting methodology is consistent with that applied by the Treasury in valuing the liabilities on all Crown accounts.

The projected claim cash flows were discounted using a series of forward discount rates at balance date derived from the Treasury's risk-free rates. The equivalent single effective discount rate, taking into account ACC's projected future cash flow patterns, is 1.86% (2019: 2.42%).

INFLATION RATES

Short term Consumer Price Index (CPI) inflation rates are prescribed by the Treasury. Assumptions for the Labour Cost Index (LCI) and Average Wage Earnings (AWE) are based on their historic relationship to the CPI. Long term inflation is determined by using an assumption about the gap between inflation and interest rates.

SUPERIMPOSED INFLATION

Superimposed inflation is an allowance for increases to the cost of claims, over and above any adopted inflation index.

RISK MARGIN

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

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate. Uncertainty was analysed for each benefit type, taking into account potential uncertainties relating to the claims experience, the insurance environment, and the impact of legislative reform.

The assumptions regarding uncertainty were applied to the central estimates in order to arrive at an overall provision that allows for a 75% probability of sufficiency in meeting the actual amount of liability to which it relates.

CLAIMS HANDLING COSTS

The allowance for claims handling costs is determined by analysing claims-related costs incurred in the accounting year and expressing these expenses as percentages of claims paid in the same year. These are used as the basis for deriving the percentages that are applied to future projected payments to estimate future projected claims handling expense payments.

(ii) Sensitivity to changes in key assumptions

The below sensitivity analysis shows the impact as at 30 June 2021, 30 June 2020 and 30 June 2019 (with comparatives) of a movement higher and lower at the beginning of the financial year and held constant throughout the year. Each sensitivity has been calculated in isolation to other changes so an effect could be compounding.

The effect of the sensitivity for the OCL, the net surplus (deficit) and the net assets (liabilities) position, to key assumption changes are detailed below.

One of the more volatile assumptions for the OCL is the interest rate. There is a partial hedge to interest rate movements through the interest rate exposure of the investment portfolios. The impact of changes in interest rate assumptions on the forecast OCL balance of $63.6 billion, net liabilities $17.8 billion and net deficit $1.8 billion as at 30 June 2021 are shown in the following table. The asset sensitivity only includes the impact of interest rate changes on fixed interest assets. There may also be some impact on equities, property, etc however these impacts are indeterminant.

Levy rates and appropriations for the 2020/21 year have been set by the Government and there is no intention to review these. Under section 331(1)(3) of the AC Act, ACC must make levy rate recommendations in accordance with the funding policy statement issued by the Government under section 166B.

The forecast is prepared based on the claims valuation as at 30 June 2020. The forecast figures are unaudited.

The impact below shows the movement and not the year end balance of the net assets (liabilities) and net surplus (deficit).

	2021 Forecast (unaudited)		
$M	OCL	Net assets (liabilities)	Net surplus (deficit)
Forecast as at 30 June 2021	63,609	(17,771)	(1,812)

		2021 Forecast (unaudited)		
Assumption	Movement	Increase (decrease) in OCL $M	Impact on net assets (liabilities) $M	Impact on net surplus (deficit) $M
Interest rates	+1.0%	(10,561)	8,438	8,438
	-1.0%	14,822	(12,436)	(12,436)
Inflation rate	+1.0%	15,406	(15,406)	(15,406)
	-1.0%	(11,190)	11,190	11,190
Long term gap between discount rate and inflation rates	+0.75%	(68)	68	68
	-0.75%	75	(75)	(75)
Superimposed inflation (excluding social rehabilitation for serious injury claims)	+1.0%	2,251	(2,251)	(2,251)
	-1.0%	(1,640)	1,640	1,640
Discounted mean term	+1 year	171	(171)	(171)
	-1 year	(166)	166	166
Superimposed inflation for social rehabilitation for serious injury claims after two years	+1.0%	5,532	(5,532)	(5,532)
	-1.0%	(4,010)	4,010	4,010
Long term continuance rates for non-fatal weekly compensation	+1.0%	1,382	(1,382)	(1,382)
	-1.0%	(1,143)	1,143	1,143
Sensitive claims continuance rates	+1.0%	942	(942)	(942)
	-1.0%	(714)	714	714

The impact on the surplus (deficit) and net assets (liabilities), had changes in the key assumptions occurred at the end of the reporting period, is summarised as follows.

	2020		
$M	OCL	Net assets (liabilities)	Net surplus (deficit)
Actual	61,463	(15,959)	(5,946)

Assumption	Movement	2020 Increase (decrease) in OCL $M	Impact on net assets (liabilities) $M	Impact on net surplus (deficit) $M
Interest rates	+1.0%	(10,305)	7,771	7,771
	-1.0%	14,485	(11,643)	(11,643)
Inflation rate	+1.0%	14,302	(14,302)	(14,302)
	-1.0%	(10,411)	10,411	10,411
Long term gap between discount rate and inflation rates	+0.75%	(59)	59	59
	-0.75%	65	(65)	(65)
Superimposed inflation (excluding social rehabilitation for serious injury claims)	+1.0%	2,081	(2,081)	(2,081)
	-1.0%	(1,502)	1,502	1,502
Discounted mean term	+1 year	183	(183)	(183)
	-1 year	(178)	178	178
Superimposed inflation for social rehabilitation for serious injury claims after two years	+1.0%	5,179	(5,179)	(5,179)
	-1.0%	(3,771)	3,771	3,771
Long term continuance rates for non-fatal weekly compensation	+1.0%	1,287	(1,287)	(1,287)
	-1.0%	(1,069)	1,069	1,069
Sensitive claims continuance rates	+1.0%	869	(869)	(869)
	-1.0%	(659)	659	659

$M	2019 OCL	Net assets (liabilities)	Net surplus (deficit)
Actual	53,319	(10,013)	(8,657)

Assumption	Movement	2019 Increase (decrease) in OCL $M	Impact on net assets (liabilities) $M	Impact on net surplus (deficit) $M
Interest rates	+1.0%	(8,594)	6,059	6,059
	-1.0%	11,977	(8,919)	(8,919)
Inflation rate	+1.0%	12,059	(12,059)	(12,059)
	-1.0%	(8,575)	8,575	8,575
Long term gap between discount rate and inflation rates	+0.75%	(166)	166	166
	-0.75%	187	(187)	(187)
Superimposed inflation (excluding social rehabilitation for serious injury claims)	+1.0%	1,874	(1,874)	(1,874)
	-1.0%	(1,292)	1,292	1,292
Discounted mean term	+1 year	(41)	41	41
	-1 year	44	(44)	(44)
Superimposed inflation for social rehabilitation for serious injury claims after two years	+1.0%	5,465	(5,465)	(5,465)
	-1.0%	(4,922)	4,922	4,922
Long term continuance rates for non-fatal weekly compensation	+1.0%	1,181	(1,181)	(1,181)
	-1.0%	(821)	821	821
Sensitive claims continuance rates	+1.0%	726	(726)	(726)
	-1.0%	(553)	553	553

(D) INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES

Insurance risk is the risk that the cost of insurance claims is higher than the planned cost, with the consequence, in extreme cases, that the insurer cannot meet its claims liabilities. Although ACC's exposure to insurance risk differs markedly from insurance risks faced by private sector commercial insurers, ACC is still exposed to several facets of insurance risk. As a result, ACC has objectives, policies and processes for managing them. A summary of ACC's general approach to managing risk is contained in the "Managing risk" section in the Annual Report. That general approach includes the application of ACC's *Enterprise Risk and Compliance Framework* and ACC's adoption and embedment of the five lines of assurance model. The general approach applies to the management of all risks, including insurance risk, and should be read in conjunction with Note 8(D)(i). Note 8(D)(i) contains a summary of the specific objectives, policies, processes and related methods relevant to ACC's management of insurance risk.

(i) Objectives, policies and processes for managing insurance risk and the methods used to manage that risk

The key activities which usually expose insurers to insurance risk comprise: product design, pricing, underwriting and claims management. Some of those activities are less relevant to ACC because, for example, the design of its "products" is (predominantly) prescribed by the AC Act and it does not have total control over its "pricing". Nevertheless, those four categories of activity provide a useful framework to describe ACC's approach to managing insurance risk.

Product design: The personal injury events covered by the Scheme are prescribed by the AC Act, the contents of which are determined by Parliament, not ACC, and reflect Government policy. As such, the scope and nature of ACC's "products" are determined by statute. There is a risk that the "product design" can deviate over time from the original intentions of the legislature. This can occur by way of judicial (mis)interpretation or misapplication of the statutory provisions. ACC's objective is to ensure that the relevant provisions in the AC Act are interpreted and applied in a manner consistent with the original intentions of the legislature. ACC has implemented several controls to manage this risk, including:

- The review of material decisions by specialists to assess the accuracy and consistency of the interpretation of relevant statutory provisions concerning cover
- Governance and other forums to review recommendations from specialists on whether to challenge potentially "incorrect" interpretations and applications
- Mature processes for conducting formal appeals of relevant decisions.

Pricing: The Reporting and Funding by Account section contains a description of how the Scheme is funded. Part of that funding comes from levies. Although ACC plays an important role, by making levy rate recommendations in accordance with the Government's funding policy, the final decision on levy rates is made by the Government. As a result, compared to private sector commercial insurers, ACC does not have as much direct influence on its "pricing". ACC's objective in relation to its levy rate recommendations is to comply with section 331 of the AC Act, which requires (among other things) that ACC must consult levy payers before making any recommendation and that the recommendations must give effect to the Government's funding policy. There is a risk however that ACC's levy rate recommendations may not give effect to the Government's funding policy, which could lead to underfunding of the Scheme. ACC has implemented several controls to manage this risk, including:

- Processes to ensure that the actuarial valuations on which the levy recommendations are based are robust and prepared in accordance with relevant standards
- Governance forums to oversee the levy consultation and recommendation process and to make decisions on levy recommendations in accordance with the Government's funding policy.

Underwriting: Note 4 contains ACC's "underwriting result" (in the sense of ACC's core business of collecting levies and paying for accident compensation and rehabilitation, excluding any investment activities). However, the concept of "underwriting activity", in the context of insurance risk, concerns the activities of an insurer related to its decisions on (essentially) what insurance contracts to enter into. ACC does not engage in that type of underwriting activity, because the AC Act prescribes both who is entitled to cover under the

Scheme and the personal injury events which are covered. As a result, ACC's insurance risks are not affected by this aspect of insurance risk which applies to most insurers.

Claims management: There are two aspects of claims management at ACC that give rise to material risks:

(i) the routine handling and settling of claims in the ordinary course of business, and

(ii) the management of the costs of claims, especially future costs of rehabilitation support services provided to individuals experiencing significant disability as a result of an injury.

In relation to the routine handling and settling of claims in the ordinary course of business, there is a risk that ACC could approve and settle claims incorrectly, potentially incurring inappropriate costs related to the claims. ACC's objective in relation to the routine handling and settling of claims is to ensure that claims are settled in a timely manner in accordance with the relevant requirements of the AC Act. ACC has implemented several controls to manage this risk, including:

- Documented claims management processes with associated claims handling authority levels
- Claims settlement procedures
- Dispute resolution processes.

The management of the costs of claims, especially long-term future costs, is complex. Some of the drivers of future claims costs are not able to be controlled by ACC. For example, falling interest rates (and the consequential impact on discount rates), which have a negative (inflationary) impact on future claims costs. See Note 2(A) concerning the Outstanding Claims Liability (OCL). There is a risk that growth of claims costs could (among other things) place unwarranted pressure on levy rates. ACC's objective in relation to the management of the costs of claims is to identify and respond to controllable causes of claims cost growth. ACC has implemented several controls to manage this risk, including:

- Procedures to ensure that contracts with service providers are appropriate
- Review of provider contracts to identify potential opportunities for efficiencies
- Setting annual budgets for claims costs, performance against which is tracked and reported
- Processes requiring and assessment of impact on OCL before service changes are adopted
- Governance and other forums to oversee the management of claims costs and to identify initiatives that could improve the management.

(ii) Terms and conditions of accident cover

The terms and conditions of personal injury cover are determined by the AC Act. ACC operates in compliance with its governing legislation.

(iii) Concentration of risk

The ACC Scheme covers the risks related to the provision of rehabilitation and compensation to people in New Zealand who have injuries as a result of accidents.

(iv) Credit rating

ACC is not required to have a credit rating.

(E) UNEARNED LEVY LIABILITY

ACC recognises levy revenue that is earned for the financial year for the three levy funded Accounts. The levy year runs from 1 April to 31 March for the Earners' and Work Accounts and from 1 July to 30 June for the Motor Vehicle Account. This means that as of 30 June 2020 ACC has received unearned levies for the period 1 July 2020 to 31 March 2021 for both the Earners' and Work Accounts.

For the Motor Vehicle Account ACC recognises a proportion of vehicle registration levies for vehicle registrations that expire after 30 June 2020, and a proportion of petrol levies that can be expected to be received after 30 June 2020 based on the number and expiry date of vehicle registrations purchased up to 30 June 2020 but which expire after 30 June 2020.

$M	2020 Total	Motor Vehicle Account	Earners' Account	Work Account	2019 Total
Opening balance at 1 July	2,088	145	1,331	612	1,937
Unearned levies received in the year	2,012	165	1,298	549	2,088
Levies received in previous years now recognised	(2,088)	(145)	(1,331)	(612)	(1,937)
Closing balance at 30 June	**2,012**	**165**	**1,298**	**549**	**2,088**
Current	2,012	165	1,298	549	2,088
Non-current	–	–	–	–	–
Total unearned levy liability	**2,012**	**165**	**1,298**	**549**	**2,088**

(F) UNEXPIRED RISK LIABILITY

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

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

The expected future claims are determined as the present value of the expected future cash flows relating to future claims. ACC applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the claims liability (refer to Note 8(C)(d)(i)).

$M	2020 Total	Motor Vehicle Account	Earners' Account	Work Account	2019 Total
Opening balance at 1 July	1,204	224	670	310	772
Expected change	(40)	(4)	3	(39)	(54)
Other changes	148	7	74	67	225
Effect of changes in economic assumptions	158	37	85	36	261
Movement in unexpired risk liability	266	40	162	64	432
Closing balance at 30 June	**1,470**	**264**	**832**	**374**	**1,204**
Calculation of deficiency					
Unearned levy liability as reported in the statement of financial position	2,012	165	1,298	549	2,088
Adjustment(i)	(54)	–	(54)	–	(55)
Adjusted unearned levy liability	**1,958**	**165**	**1,244**	**549**	**2,033**
Central estimate of present value of expected future cash flows arising from future claims	3,076	378	1,864	834	2,908
Risk margin(ii)	352	51	212	89	329
Present value of expected future cash flows for future claims	**3,428**	**429**	**2,076**	**923**	**3,237**
Total unexpired risk liability	**1,470**	**264**	**832**	**374**	**1,204**
Current	1,470	264	832	374	1,204
Non-current	–	–	–	–	–
Total unexpired risk liability	**1,470**	**264**	**832**	**374**	**1,204**

Notes:

(i) This excludes the earners' portion of treatment injury in the Earners' Account as the liabilities that are assessed exclude those arising from medical misadventure.

(ii) The risk margins determined for the unexpired risk liability relates to future claims payments for injuries that have yet to happen. The risk margins are consistent with those used for the outstanding claims liability valuation.

A liability adequacy test was not performed for the Non-Earners' Account as there was no unearned levy liability as at 30 June 2020 for this Account.

9. Investment assets

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

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

Fair value for investment assets is determined as follows:

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

$M	2020	2019
New Zealand deposits at call	763	790
Overseas deposits at call	704	368
New Zealand government securities	18,817	19,561
Other New Zealand debt securities	2,892	2,655
Overseas debt securities	6,899	7,108
New Zealand equities	5,204	4,583
Australian equities	3,440	3,128
Overseas equities	8,438	6,444
Other investments	44	29
	47,201	**44,666**
Investment properties	403	377
Service concession arrangements	39	41
Total investments	**47,643**	**45,084**
Current	2,864	2,654
Non-current	44,779	42,430
Total investments	**47,643**	**45,084**

(A) INVESTMENT PROPERTIES

Investment properties are properties that ACC holds for rental revenue and capital gains. ACC is not the tenant of any properties it owns for investment purposes.

$M	2020	2019
Opening balance as at 1 July	377	339
Additions	1	6
Net gains from revaluations	25	32
Closing balance as at 30 June	**403**	**377**
Current	–	–
Non-current	403	377
Total investment properties	**403**	**377**

The investment properties acquired in prior financial years are revalued annually. The market valuations have been determined by members of the New Zealand Institute of Valuers, who are independent valuers of Colliers International New Zealand Limited. The properties are valued under a combination of the capitalisation approach, the discounted cash flow method and direct comparison with prices for properties of a similar nature.

The outbreak of COVID-19 impacted on market activity and increased liquidity risk. The uncertainty around this has been reflected in the discount rates used to determine each properties valuation. As at the valuation date, it is considered appropriate to attach less weight to previous market evidence for comparison purposes, to inform opinions of value.

(B) SERVICE CONCESSION ARRANGEMENT

ACC recognises an asset arising from a service concession arrangement where ACC has the right to charge for use of a car park facility. The asset is carried at cost less accumulated amortisation and accumulated impairment.

The service concession arrangement was acquired in 2013 and will expire in 2037. Amortisation is calculated on a straight line basis over the period which ACC is able to charge the public for the use of the facilities.

$M	2020	2019
Year ended 30 June		
Opening net carrying amount	41	44
Amortisation charge	(2)	(3)
Closing net carrying amount	**39**	**41**
At 30 June		
At cost	56	56
Accumulated amortisation	(17)	(15)
Net carrying amount at 30 June	**39**	**41**

(C) REPURCHASE AGREEMENTS

Securities held under repurchase agreements are included within investments classified as financial assets at fair value through surplus or deficit. These securities are subject to fully collateralised security lending transactions. Cash collateral received of $755 million (2019: $1,016 million) from these transactions is invested, and the liability to repurchase the investments is accrued in unsettled investment transactions (refer to Note 16).

	2020		2019	
$M	Value of transferred assets	Value of associated liabilities	Value of transferred assets	Value of associated liabilities
Nature of transaction				
New Zealand government securities – repurchase agreements	755	755	1,016	1,016
	755	**755**	**1,016**	**1,016**

Statement of performance and financial statements

(D) COLLATERAL

In line with standard industry practice, ACC uses Credit Support Agreements (CSAs) to provide credit protection for derivative positions. ACC's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with counterparties. Under these agreements, open derivative positions with the counterparty are aggregated and cash collateral is exchanged daily. The collateral is provided by the counterparty when their position is out of the money or provided to the counterparty by ACC when ACC's position is out of the money.

Cash balances relating to initial and variation margin on futures are lodged with the custodian and passed onto the relevant futures exchange. Fixed income securities pledged as collateral are lodged with a clearing house via an external collateral manager.

Cash pledged as collateral

ACC is required to pledge part of its deposits at call in order to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to ACC when the underlying transaction has been settled, but in the event of default the counterparty is entitled to apply the collateral in order to settle the liability. The fair value of the amount pledged was $34 million as at 30 June 2020 (2019: $nil).

Cash collateral received

ACC has received cash deposits as collateral to meet obligations under the CSAs for derivative positions. ACC has an obligation to repay the deposits to the counterparties upon settlement of the underlying transaction, but in the event of default ACC is entitled to apply the collateral received in order to settle the liability. The fair value of the deposits at call received by ACC was $641 million as at 30 June 2020 (2019: $851 million).

10. Derivative financial instruments

Derivative financial instruments form part of the actively managed investment portfolio. ACC uses various derivative financial instruments such as foreign currency contracts, interest rate swaps and futures to manage its exposure to movements in exchange rates, interest rates and equity market prices. Refer to Note 14 for further explanation of ACC's investment risks and how these are addressed.

The use of derivative financial instruments is covered by investment policies which control the risks associated with such instruments.

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

- interest rate swaps are measured at the present value of future cash flows discounted based on the applicable yield curves derived from quoted interest rates
- credit default swaps are valued using discounted cash flow models that incorporate the default rate and credit spread of the underlying entity or index
- cross-currency interest rate swaps are valued using quoted market yields and exchange rates at balance date
- forward foreign currency contracts are valued with reference to quoted forward exchange rates and yield curves derived from quoted interest rates with similar maturity profiles
- futures contracts are valued using quoted prices

Derivatives are reported in the statement of financial position as assets when their fair value is positive and as liabilities when their fair value is negative.

$M	2020 Fair value assets	2020 Fair value liabilities	2019 Fair value assets	2019 Fair value liabilities
Interest rate swaps	537	19	760	16
Credit default swaps	1	1	2	3
Cross-currency interest rate swaps	123	55	54	8
Forward foreign currency contracts	209	82	122	8
Futures contracts	36	19	19	22
Total derivative instruments	**906**	**176**	**957**	**57**
Current	257	116	140	24
Non-current	649	60	817	33
Total derivative instruments	**906**	**176**	**957**	**57**

At balance date, the notional amounts outstanding were:

$M	2020	2019
Interest rate swaps	8,061	9,317
Credit default swaps	124	158
Cross-currency interest rate swaps	3,854	2,587
Forward foreign currency contracts	14,268	10,888
Futures contracts – long	3,276	2,035
Futures contracts – short	(3,110)	(4,040)
Options	157	179

11. Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, current accounts with banks, deposits held on call with banks, and other short-term highly liquid investments net of outstanding bank overdrafts. These make up the operational cash balances used to meet operational needs such as paying claims and expenses. Cash and cash equivalents exclude items held for investment purposes within the Reserves portfolio and not used for short-term cash needs. The carrying values of these items are equivalent to their fair values.

$M	2020	2019
Cash (overdraft) at bank	2	(4)
Investment operational cash		
Overnight call deposits	34	4
Deposits at call	220	86
Total cash and cash equivalents	**256**	**86**

The effective interest rate at 30 June 2020 on overnight call deposits was 0.4% (2019: 1.9%) and on deposits at call was 0.9% (2019: 2.0%).

12. Receivables

Receivables are recognised at fair value, which is approximated by taking the initially recognised amount and including an allowance for expected credit losses as appropriate.

$M	2020	2019
Levy debtors	45	114
Motor vehicle levy receivable(i)	19	22
Earners' levy receivable	–	30
Total levy receivables	**64**	**166**
Client debtors(ii)	5	3
Unsettled investment transactions	214	553
Dividends receivable	28	29
Prepayments	16	26
Sundry debtors	7	7
Total non-levy receivables	**270**	**618**
Total receivables	**334**	**784**

Current	331	779
Non-current	3	5
Total receivables	**334**	**784**

Levy receivables designated as at fair value through surplus or deficit (FVTSD)	64	166
Non-levy receivables designated as at fair value through surplus or deficit (FVTSD)	251	589
Prepayments and other sundry debtors	19	29
Total receivables	**334**	**784**

Notes:

(i) Motor vehicle levy receivable consists of:

- the amount collected by the New Zealand Transport Agency from motor vehicle licensing that is due to ACC
- the amount collected by the New Zealand Customs Service for the levy portion of the excise duty on petrol that is due to ACC in the first week of the following month.

(ii) Client debt results when an overpayment on a claim has been recognised and is unable to be immediately repaid.

Levy receivables designated as at FVTSD

At 30 June 2020, the maximum exposure to credit risk of levy receivables designated as at FVTSD is their carrying value of $64 million (2019: $166 million).

The change in fair value of receivables due to changes in credit risk and other changes is a decrease of $26 million (2019: decrease of $14 million).The cumulative change in fair value of receivables due to changes in credit risk is a decrease of $94 million (2019: $100 million).

The change in fair value attributable to changes in credit risk is determined based on analysis performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings for various customer segments with similar loss patterns. Customer credit risk is managed subject to ACC's policy, procedures and control relating to customer credit risk management.

As noted in Note 2(E), larger expected credit loss estimates have been assessed to take into account expected higher rates of default by business customers due to COVID-19. The fair value of levy receivables is $19 million higher using expected credit loss assessment pre COVID-19.

The change in fair value has been charged against levy revenue.

Non-levy receivables designated as at FVTSD

At 30 June 2020, the maximum exposure to credit risk of non-levy receivables designated as at FVTSD is their carrying value of $251 million (2019: $589 million).

Given the short-term nature of these receivables, no material credit risk is expected.

All receivables are from exchange transactions.

13. Accrued levy revenue

Levies required to fund the Work Account are invoiced directly to employers or self-employed persons based on their respective liable earnings at the applicable levy rate.

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

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

$M	2020	2019
Motor Vehicle Account	65	65
Earners' Account	1,519	1,478
Work Account	835	857
Total accrued levy revenue	**2,419**	**2,400**
Current	2,419	2,400
Non-current	–	–
Total accrued levy revenue	**2,419**	**2,400**

ACC recognises and accrues levy revenue up to the end of the levy year for the three levy-funded Accounts. The levy year runs from 1 April to 31 March for the Earners' and Work Accounts and from 1 July to 30 June for the Motor Vehicle Account.

The accrued levy revenue at 30 June 2020 therefore includes revenue for the period 1 July 2020 to 31 March 2021 for the Earners' and Work Accounts as well as uninvoiced revenue for levy periods up to 30 June 2020.

As noted in Note 2(E), the accrued levy revenue for the levy year 1 April 2020 to 31 March 2021 is assessed using the Inland Revenue's earnings data at 1.87% lower than the liable earnings for levy year 1 April 2019 to 31 March 2020. Accrued levy revenue is $149 million lower if this is at 7.87% lower and $149 million higher if this is at 4.13% higher.

Included in accrued levy revenue is an allowance for expected credit loss of 7.5% (2019: 1.5%) for employers and 20.0% (2019: 4.0%) for self-employed.

14. Financial risk management

(A) FINANCIAL INSTRUMENT CLASSIFICATION

Financial instruments held by ACC are categorised as follows:

$M	2020	2019
Financial assets designated as at fair value through surplus or deficit		
Cash and cash equivalents (Note 11)	256	86
Cash pledged as collateral (Note 9(D))	34	–
Receivables (Note 12)	315	755
Investments (Note 9)	47,201	44,666
Financial assets at fair value through surplus or deficit held for trading		
Derivative financial assets (Note 10)	906	957
Financial liabilities at fair value through surplus or deficit held for trading		
Derivative financial liabilities (Note 10)	176	57
Financial liabilities measured at amortised cost		
Cash collateral received (Note 9(D))	641	851
Payables (Note 14(E))	1,824	1,815

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES

Each of ACC's five Accounts allocates its investment funds to ACC's short term operational cash portfolio and its own longer-term reserves portfolio depending on that Accounts future cash flow needs. The operational cash portfolio is used to meet operational needs such as paying claims and expenses. When the Accounts allocate money into the various investment markets ('asset classes'), the money in each asset class is pooled from all Accounts and managed collectively to ensure operational efficiency and fairness between Accounts. The Accounts' ownership of each 'asset class' is updated when each Account contributes or withdraws money from the investment portfolios. The ownership amounts are monitored on a daily basis.

The main financial risks that ACC is primarily exposed to are market, credit and liquidity risk.

ACC consciously chooses to be exposed to many of these risk exposures through the investment portfolios. These risks either provide a natural offset to risks inherent in the outstanding claims liability or because ACC expects to enhance returns through prudent exposure to market risks. When ACC does not wish to incur the above risks in the Reserves portfolio it will seek to reduce exposure to these risks using a variety of methods. These methods include disposing of investments currently exposed to these risks, purchasing investments with offsetting risk exposures, and using derivative financial instruments. Market risk (which comprises of interest rate, foreign exchange and other price risk) is managed for all portfolios through the investment guidelines. This ensures that portfolio managers maintain their portfolios within defined market exposure limits. These limits include limits on percentage weight of any particular company in the portfolio relative to its benchmark weight; limits on aggregate investment in companies not represented in the benchmark; limits on the maximum percentage shareholding in any individual company; ratings-related credit limits on both a per-issuer and aggregate basis; duration limits relative to the duration of the benchmark; and maximum exposure limits to single entities. Compliance with the investment guidelines is reviewed by ACC's Investment Risk and Compliance group on a daily basis, and by the internal auditors on a half yearly basis.

Market risk exposures are measured in a number of different ways, specific to the types of risk being measured. In some cases, more than one measure of risk is used, recognising the fact that all forms of investment risk measurement are imperfect.

(C) MARKET RISK

(i) Interest rate risk

The interest rate exposures of the investment portfolios and the operational cash portfolio are managed through asset allocation between asset classes; through the selection of physical securities within the asset class sub-portfolios; through the use of interest rate swaps within portfolios; and through the use of interest rate swaps as an 'asset allocation overlay'. Other derivative financial instruments may also be used to manage the interest rate exposures of the investment portfolios and the operational cash portfolio.

Interest rate risk affects ACC's investments and the outstanding claims liability of each Account. For each Account, ACC would expect investment gains and an increase in the outstanding claims liability to result from declines in interest rates, investment losses, and a decrease in the outstanding claims liability to result from rises. However, the corresponding movements in ACC's outstanding claims liabilities (due only to interest rate movements) would be far more significant than the movement in the value of investments. Hence, investment gains or losses arising from changes in interest rates will tend to only partially offset a corresponding revaluation of ACC's claims liabilities.

Under interest rate swap contracts, ACC agrees to exchange the difference between fixed and floating rate interest payments calculated on agreed notional principal amounts. Such contracts enable ACC to manage its interest rate risk and create synthetic fixed-rate bonds from its investment in variable rate debt.

INTEREST RATE SENSITIVITY ANALYSIS

As at 30 June 2020, if the interest rate at the end of the financial year had been 1% higher/lower and held constant throughout the year with all other variables remaining constant, the consolidated net surplus (deficit) would have moved as per the table below. Any change in the net surplus (deficit) for the period would result in a corresponding movement in net assets (liabilities).

Fair value interest rate risk	Change in interest rate %	2020 Impact on net surplus (deficit) $M	2019 Impact on net surplus (deficit) $M
New Zealand dollar interest rates	+1.0	(2,534)	(2,535)
New Zealand dollar interest rates	-1.0	2,842	3,058

The above only shows the impact of changes in interest rates on ACC's investment portfolios. Changes in interest rates also have an impact on the outstanding claims liability. Refer to Note 8(C)(d)(ii) for this sensitivity analysis.

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the value of ACC's investment portfolios could be affected by a change in foreign exchange rates. ACC is exposed to foreign exchange risk principally due to its holdings of foreign currency denominated investments. ACC partially offsets these exposures by entering into foreign currency contracts for forward sales of foreign currencies against the New Zealand dollar and longer-term, cross currency interest rate swaps.

Benchmark ranges of foreign exchange exposure are established by the Investment Committee for each Account. Accounts can move within these benchmark ranges but action must be taken if exposure exceeds these ranges. These benchmark exposures are designed to align with ACC's high-level objective of finding an appropriate balance between minimising risk whilst maximising expected return.

All foreign exchange contracts held by ACC have remaining terms of 12 months or less. While the cross currency interest rate swaps have maturities out to seven years, the floating interest rates on these swaps are reset every three months.

SENSITIVITY ANALYSIS

The following sensitivity analysis shows the impact on the consolidated net surplus (deficit) of a reasonably possible change of 10% in the New Zealand dollar against the respective major currencies and held constant throughout the year, with all other variables remaining constant. Any change in the net surplus (deficit) for the period would result in a corresponding movement in net assets (liabilities).

				2020				
$M	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
Impact on net surplus (deficit)								
10% increase	(81)	(121)	(15)	(18)	(18)	(44)	(20)	(30)
10% decrease	98	148	19	21	22	54	24	38

				2019				
$M	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
Impact on net surplus (deficit)								
10% increase	(82)	(167)	(11)	(22)	(14)	(26)	(20)	(59)
10% decrease	101	204	14	27	17	31	24	71

(iii) Other price risk

ACC invests in equities and unit trusts, and considers the risk on these from a long-term perspective. Changes in the market price of equity and unit trust investments:

- affect the value that ACC could realise for these investments if it chose to sell them in the short term
- will be reflected in the valuation carried in ACC's statement of financial position and the investment income reported in ACC's statement of comprehensive revenue and expense.

SENSITIVITY ANALYSIS

The table below details the sensitivity to a change of 10% in the market value of listed and unlisted equity investments to the consolidated net surplus (deficit) at reporting date, with other variables held constant. Any change in the net surplus (deficit) for the period would result in a corresponding movement in net assets (liabilities).

$M	Movement %	2020 Impact on net surplus (deficit)	2019 Impact on net surplus (deficit)
Overseas equities	+10	844	644
	-10	(844)	(644)
New Zealand equities	+10	520	458
	-10	(520)	(458)
Australian equities	+10	344	313
	-10	(344)	(313)

(D) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to ACC. Credit risk only applies to debt instruments, derivatives in gain, receivables and a selection of other assets.

For internally managed portfolios, the Investment Committee has approved an authorised set of credit criteria which include credit limits and portfolio limits. There is a list of authorised New Zealand banks that ACC can invest with. These credit limits are designed to limit ACC's exposure to counterparties with a high risk of defaulting while at the same time allowing ACC to take on appropriate levels of risk whilst maximising investment returns. Investment in unrated debt is allowed if approved by ACC's Credit Committee. ACC's exposure and the credit ratings of its counterparties are continuously monitored.

Transactions involving derivative financial instruments are undertaken with authorised banks and executed in accordance with International Swaps and Derivatives Association (ISDA) documentation.

The maximum exposure to credit risk at 30 June 2020 is the carrying value of each class of financial assets disclosed below and the cash flows for derivative instruments noted in the liquidity table in Note 14(E).

As all financial assets, except the service concession arrangement, are recognised at fair value through surplus or deficit, there is no expected credit loss recognised in respect to those financial assets. This is due to credit risk being factored into the fair value of those financial assets. Any movement in this value, is recognised in the consolidated statement of comprehensive revenue and expense, as part of investment gains (losses) within investment income.

Given the short-term nature of cash and cash equivalents, and collateral pledged, no expected credit loss has been recognised. The expected credit loss in respect to the service concession arrangement is deemed to be immaterial and therefore no expected credit loss has been recognised. Refer to Note 12 for the expected credit loss on receivables.

The credit ratings used in the table below relate to each individual securities credit rating. Where a security does not have an individual credit rating, the issuer's credit rating is used. In determining the credit ratings, the primary source used is Standard & Poor's.

	2020						
$M	AAA	AA	A	BBB	Below BBB	Not rated	Total
Cash and cash equivalents	–	21	210	25	–	–	**256**
Deposits at call	–	405	963	85	–	14	**1,467**
Cash pledged as collateral	–	–	–	–	–	34	**34**
Other New Zealand debt securities	903	941	66	379	–	603	**2,892**
Overseas debt securities	4,846	96	436	1,114	270	137	**6,899**
New Zealand government securities	–	17,989	828	–	–	–	**18,817**
Interest rate swaps	–	383	239	–	1	37	**660**
Forward foreign currency contracts	–	73	66	–	32	38	**209**
Other derivatives	–	–	–	–	–	37	**37**
Receivables	–	–	234	–	–	81	**315**
Accrued levy revenue	–	–	–	–	–	2,419	**2,419**
	5,749	**19,908**	**3,042**	**1,603**	**303**	**3,400**	**34,005**

ACC has an additional exposure of $123.8 million with regard to credit default swaps. This is the potential liability faced if the underlying entity defaults on its contractual obligations, which ACC will then be obligated to pay (2019: $158.0 million). Under PBE IFRS 9 *Financial Instruments*, ACC continues to recognise credit default swaps at fair value through surplus or deficit, rather than at amortised cost as a financial guarantee. This is due to the current measurement basis which significantly reduces the accounting mismatch that would arise from measuring credit default swap assets or liabilities or recognising the gains and losses on them on a different basis.

	2019						
$M	AAA	AA	A	BBB	Below BBB	Not rated	Total
Cash and cash equivalents	–	27	–	59	–	–	**86**
Deposits at call	–	687	341	–	100	30	**1,158**
Other New Zealand debt securities	435	1,161	279	459	–	321	**2,655**
Overseas debt securities	4,385	955	550	959	195	64	**7,108**
New Zealand government securities	–	19,561	–	–	–	–	**19,561**
Interest rate swaps	–	786	22	–	1	5	**814**
Forward foreign currency contracts	–	90	11	–	14	7	**122**
Other derivatives	–	–	–	–	–	21	**21**
Receivables	–	–	572	–	–	183	**755**
Accrued levy revenue	–	–	–	–	–	2,400	**2,400**
	4,820	**23,267**	**1,775**	**1,477**	**310**	**3,031**	**34,680**

(E) LIQUIDITY RISK

Liquidity risk is the risk that ACC may not be able to raise cash when required and on acceptable terms. ACC maintains sufficient liquid assets to cover obligations and unforeseen expenses.

The table below summarises the maturity profile of the financial liabilities held by ACC. The amounts disclosed in the table are the contractual undiscounted cash flows for payables and estimated cash flows for the uncalled investment related commitments.

At 30 June 2020 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Payables	1,824	–	–	–
Uncalled investment related commitments	95	46	52	17
Collateral – received	641	–	–	–

At 30 June 2019 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Payables	1,815	–	–	–
Uncalled investment related commitments	125	65	59	16
Collateral – received	851	–	–	–

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

At 30 June 2020 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Net settled derivatives – inflows (outflows)	95	76	218	255
Gross-settled derivatives – cash inflows				
Forward foreign exchange contracts	14,332	–	–	–
Cross currency interest rate swaps	13	11	29	33
Gross-settled derivatives – cash outflows				
Forward foreign exchange contracts	(14,205)	–	–	–
Cross currency interest rate swaps	(13)	(11)	(31)	(35)

At 30 June 2019 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Net settled derivatives – inflows (outflows)	119	123	280	263
Gross-settled derivatives – cash inflows				
Forward foreign exchange contracts	10,947	–	–	–
Cross currency interest rate swaps	46	46	122	58
Gross-settled derivatives – cash outflows				
Forward foreign exchange contracts	(10,834)	–	–	–
Cross currency interest rate swaps	(54)	(54)	(148)	(84)

(F) FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

The three levels of fair value measurement are defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2020			
$M	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Interest rate swaps	–	537	–	537
Credit default swaps	–	1	–	1
Cross currency swaps	–	123	–	123
Forward foreign currency contracts	–	209	–	209
Futures	36	–	–	36
	36	**870**	**–**	**906**
Financial assets designated at fair value through surplus or deficit				
New Zealand equities	4,651	–	553	5,204
New Zealand government securities	–	18,817	–	18,817
New Zealand debt securities	–	2,300	592	2,892
Australian equities	3,339	19	82	3,440
Overseas equities	8,401	–	37	8,438
Overseas debt securities	–	6,895	4	6,899
Other investments	–	–	44	44
Receivables	–	315	–	315
	16,391	**28,346**	**1,312**	**46,049**
	16,427	**29,216**	**1,312**	**46,955**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	(19)	–	(19)
Credit default swaps	–	(1)	–	(1)
Cross currency swaps	–	(55)	–	(55)
Forward foreign currency contracts	–	(82)	–	(82)
Futures	(19)	–	–	(19)
	(19)	(157)	–	(176)

$M	2019 Level 1	2019 Level 2	2019 Level 3	2019 Total
Financial assets				
Derivative financial instruments				
Interest rate swaps	–	760	–	760
Credit default swaps	–	2	–	2
Cross currency swaps	–	54	–	54
Forward foreign currency contracts	–	122	–	122
Futures	19	–	–	19
	19	**938**	**–**	**957**
Financial assets designated at fair value through surplus or deficit				
New Zealand equities	3,989	–	594	4,583
New Zealand government securities	–	19,561	–	19,561
New Zealand debt securities	–	2,334	321	2,655
Australian equities	3,038	23	67	3,128
Overseas equities	6,429	–	15	6,444
Overseas debt securities	–	7,108	–	7,108
Other investments	–	–	29	29
Receivables	–	755	–	755
	13,456	**29,781**	**1,026**	**44,263**
	13,475	**30,719**	**1,026**	**45,220**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	(16)	–	(16)
Credit default swaps	–	(3)	–	(3)
Cross currency swaps	–	(8)	–	(8)
Forward foreign currency contracts	–	(8)	–	(8)
Futures	(22)	–	–	(22)
	(22)	**(35)**	**–**	**(57)**

Reconciliation of Level 3 fair value movements

$M	2020	2019
Opening balance	1,026	1,008
Total gains (losses) recognised in surplus (deficit)	44	73
Purchases	265	110
Sales	(1)	(127)
Settlements	(22)	(42)
Transfers into Level 3	–	4
Closing balance	**1,312**	**1,026**
Total gains stated on Level 3 instruments still held at balance date	**41**	**69**

Transfers between levels

During the year, there were no transfers in or out of Level 3 (2019: $4 million transfer into Level 3). There were no significant transfers into or out of Level 2.

Level 3 sensitivity analysis

The following sensitivity analysis shows the impact on the consolidated net surplus (deficit) of reasonably possible changes in one or more of the significant unobservable inputs into the fair values of investments in Level 3. The fair values of the Level 3 investment assets have been estimated using a range of valuation methodologies including discounted cash flows, market transactions and market ratio approaches.

				2020		2019	
				Impact on fair value movement		Impact on fair value movement	
	Valuation Technique	Significant unobservable inputs	Movements	Increase $M	Decrease $M	Increase $M	Decrease $M
Financial services	DCF Method	Discount rate	+/-100bps	(33)	38	(71)	75
Infrastructure equity	DCF Method	Discount rate	+/-50bps	(19)	21	(4)	4
		Refinancing Margin	+/-20bps	(12)	11	n/a	n/a
		Inflation	+/-20bps	(4)	5	n/a	n/a
Infrastructure debt	DCF Method	Discount rate	+/-50bps	(14)	16	(12)	12
Other investments	DCF Method	Discount rate	+/-50bps	(6)	7	(4)	4
Investment property	DCF Method	Discount rate	+/-50bps	(13)	14	n/a	n/a
		Price	+/-10%	(40)	40	(37)	37

Additional disclosures of Level 3 sensitivities have been included this year. Where available, comparative values have been provided, where not available the corresponding disclosures have been marked as n/a.

The fair value of private equity investments is provided by independent valuers at balance date. ACC does not have access to the underlying valuation models to disclose sensitivities to assumptions. All other securities in Level 3 are considered not to have a material effect on fair value if alternative reasonable assumptions were used to obtain their fair values.

15. Property, plant, and equipment and intangible assets

MEASUREMENT

Property, plant and equipment are initially recorded at cost including transaction costs. Subsequent to initial recognition, all items classed as property, plant and equipment are stated at cost less accumulated depreciation/amortisation and any impairment in value.

Internally generated assets are carried at cost less accumulated amortisation. Research costs incurred in the investigation phase of internally generated software are expensed when incurred. Development costs are accumulated as work in progress until the project is completed, at which stage direct project costs are capitalised as an intangible asset.

Impairment occurs whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Impairments are recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined using either a depreciated replacement cost approach, a restoration cost approach, or a service units approach depending on the nature of the impairment.

DEPRECIATION AND AMORTISATION

Depreciation is calculated on a straight-line basis so as to allocate the cost or valuation of assets, less any estimated residual value, over their estimated useful lives.

The estimated useful lives are as follows:

Leasehold improvements	Lower of remaining life of lease, or 10 years
Furniture, fittings and equipment	4 years
Mainframe computer and network equipment	5 years
Personal computer equipment	3 years
Computer software	5–7 years
Other assets	5–10 years

$M	Leasehold improvements	Computer equipment	Internally generated software	Other fixed assets	Total
At 1 July 2018					
At cost and valuation	43	81	535	41	700
Accumulated depreciation/amortisation	(34)	(71)	(403)	(36)	(544)
Net carrying amount at 1 July 2018	**9**	**10**	**132**	**5**	**156**
Year ended 30 June 2019					
Opening net carrying amount	9	10	132	5	156
Additions	2	5	50	3	60
Depreciation/amortisation charge	(2)	(5)	(36)	(3)	(46)
Impairment losses and other (including disposals)	–	–	–	(1)	(1)
Closing net carrying amount	**9**	**10**	**146**	**4**	**169**
At 30 June 2019					
At cost and valuation	44	85	586	42	757
Accumulated depreciation/amortisation	(35)	(75)	(440)	(38)	(588)
Net carrying amount at 30 June 2019	**9**	**10**	**146**	**4**	**169**
Year ended 30 June 2020					
Opening net carrying amount	9	10	146	4	169
Additions	2	3	46	2	53
Depreciation/amortisation charge	(3)	(5)	(39)	(2)	(49)
Closing net carrying amount	**8**	**8**	**153**	**4**	**173**
At 30 June 2020					
At cost and valuation	44	86	631	43	804
Accumulated depreciation/amortisation	(36)	(78)	(478)	(39)	(631)
Net carrying amount at 30 June 2020	**8**	**8**	**153**	**4**	**173**

Impairment and write-offs

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

16. Payables and accrued liabilities

Payables and accrued liabilities are carried at amortised cost and due to their short-term nature are not discounted.

$M	2020	2019
Payables under exchange transactions		
Unsettled investment transactions	1,592	1,697
Claims expenditure	31	9
WorkSafe New Zealand	2	4
Sundry creditors	33	18
Other accrued expenditure	211	126
Total payables under exchange transactions	**1,869**	**1,854**
Payables under non-exchange transactions		
Goods and services tax	(12)	(2)
PAYE and earnings-related deductions	18	14
Earners' levy payable	15	–
Total payables under non-exchange transactions	**21**	**12**
Total payables and accrued liabilities	**1,890**	**1,866**
Current	1,890	1,866
Non-current	–	–
Total payables and accrued liabilities	**1,890**	**1,866**

17. Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the best estimate of expected future cash flows and discounted to present value where the effect is material.

$M	2020	2019
Employee benefits	56	47
Leasehold restoration	2	1
Restructuring	2	7
Levy refunds to business customers	10	53
Onerous contracts	2	–
Total provisions	**72**	**108**
Current	49	87
Non-current	23	21
Total provisions	**72**	**108**

MOVEMENTS IN PROVISIONS

Movements for each material class of provision is set out below.

(a) Employee benefits

Employee benefits that are expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. This includes salaries and wages accrued to balance date, annual leave earned but not yet taken at balance date, and long-service leave entitlements expected to be settled within 12 months.

Entitlements that are payable beyond 12 months, such as long-service leave and retirement benefit, are recognised at the best estimate of the expected future cash outflows, discounted using the discount rate applied in determining the actuarial estimate of the outstanding claims liability.

ACC operates a defined contribution plan. Contributions to this are expensed when incurred.

$M	2020	2019
Opening balance	47	45
Paid out during the year	(37)	(39)
Additional provision made during the year	48	44
Reversal of unused provision	(2)	(3)
Closing balance	**56**	**47**

(b) Leasehold restoration

Under certain lease agreements at the end of the lease term, ACC is required to restore leasehold properties to the condition as at the commencement of the lease. A provision of $2 million (2019: $1 million) for the costs of doing this has been made accordingly.

(c) Restructuring

A provision for costs was made arising from the restructuring of business groups to deliver better customer experiences and outcomes.

$M	2020	2019
Opening balance	7	3
Paid out during the year	(2)	(2)
Additional provision made during the year	–	6
Reversal of unused provision	(3)	–
Closing balance	**2**	**7**

(d) Levy refunds to business customers

A provision was made for refunds to business customers in relation to two historical issues with levy invoicing.

$M	2020	2019
Opening balance	53	131
Paid out during the year	(18)	(96)
Additional provision made during the year	–	18
Reversal of unused provision	(25)	–
Closing balance	**10**	**53**

(e) Onerous contracts

A provision was made for onerous contracts arising from the early termination of leases due to low EQ seismic rating.

$M	2020	2019
Opening balance	–	–
Provision made during the year	2	–
Closing balance	**2**	–

18. Commitments

CAPITAL COMMITMENTS

$M	2020	2019
Investment-related	210	265
Other	4	–
Total capital commitments	**214**	**265**

ACC has committed to provide a $123.1 million term debt facility to the Wellington Gateway Partnership SPV (the SPV). As at 30 June 2020, ACC had an undrawn commitment to the SPV of $1.0 million (2019: $9.5 million).

ACC has also committed a $134.6 million debt facility to NX2 LP. As at 30 June 2020 there was an undrawn commitment to NX2 LP of $33.5 million (2019: $59.5 million).

In addition, ACC has a commitment to provide a $60.2 million term debt facility to Milldale Infrastructure LP. As at 30 June 2020, there was an undrawn commitment of $36.6 million (2019: $51.5 million).

The private equity portfolio includes investments in several venture capital/private equity funds. In these investments, funds seek commitments from investors, and only 'call' for the committed funds as they are required. ACC has committed to invest up to a total of $484.5 million (2019: $372.6 million) in these funds. As at 30 June 2020, ACC had undrawn commitments to these funds totalling $139.1 million (2019: $131.4 million).

ACC has no underwritten rights issues in 2020 (2019: $13.0 million).

ACC has a commitment of $1 million to introduce more fuel efficient vehicles into the fleet as part of our strategy to move the fleet from the current petrol vehicles to hybrid-petrol vehicles and electric vehicles.

There is also a commitment of $1.8 million for a property development in Hamilton with iwi owned company Tainui Group Holdings.

OPERATING LEASES

ACC leases premises for its branch network and its corporate offices under non-cancellable operating lease agreements. These lease agreements have varying terms and renewal options. Operating lease incentives are recognised as a liability when received and subsequently reduced by an offset to rental expenses and a corresponding reduction to the liability.

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

$M	2020	2019
Non-cancellable operating leases		
Within one year	27	24
After one year but not more than five years	81	62
More than five years	75	28
Total non-cancellable operating leases	**183**	**114**

19. Contingent liabilities

A contingent liability is disclosed when a possible obligation arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ACC. A contingent liability is also disclosed when a present obligation arising from past events is not recognised because it is not probable that settlement of the obligation will result in a cost to ACC, or the amount of the obligation cannot be measured with enough reliability.

Sensitive claims

ACC provides victims of sexual violence and abuse who suffer mental injury support (sensitive claims) in the form of counselling services, weekly compensation and other entitlements. Due to the nature of these injuries, many years may pass before the individual starts receiving treatment. Based on section 36 of the AC Act, the date of mental injury is generally recorded as the date the person first receives treatment for that injury. Once a client starts receiving treatment a liability is recorded in the OCL. With the information ACC holds for these claims, a reliable estimate of the mental injuries incurred but not yet reported as sensitive claims is unable to be made and therefore no liability is recorded in the OCL for these unreported claims.

Current litigation

Litigation involving ACC arises mainly from challenges to operational decisions made by ACC through the statutory review and appeal process but also occasionally includes general civil proceedings such as judicial review applications. The majority of appeals are able to be managed on a case by case basis, depending on the merits of the issue in dispute, and without wider Scheme management impact. There are currently three proceedings of note that ACC is a party to. ACC believes the resolution of these outstanding proceedings will not have any material effect on the financial statements of ACC. However, ACC recognises the on-going risk that future litigation could have a material impact on Scheme management.

20. Related parties

(A) INVESTMENT IN SUBSIDIARIES

ACC owns 100% (2019: 100%) of Shamrock Superannuation Limited which acts as the corporate trustee for the ACC Superannuation Scheme. Shamrock Superannuation Limited is a non trading New Zealand entity that does not have a material impact on the financial position of ACC. The investment ACC holds in Shamrock Superannuation Limited is valued at $100 (2019: $100).

(B) RELATED PARTY TRANSACTIONS

Transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies undertaken on the normal terms and conditions for such transactions. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship, on terms and conditions no more or less favourable than those that it is reasonable to expect ACC would have adopted in dealing with the party at arm's length in the same circumstances.

(C) KEY MANAGEMENT PERSONNEL

The compensation for key management personnel is set out below:

	2020	2019
Board members		
Remuneration ($000)	419	460
Full-time equivalent members	6.7	7.6
Executive team		
Remuneration ($000)	4,664	4,210
Defined contribution plans ($000)	365	323
Full-time equivalent members	10.6	10.3
Total key management personnel remuneration ($000)	**5,448**	**4,993**
Total full-time equivalent personnel	**17.3**	**17.9**

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2019: $nil)

ACC did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2019: $nil). ACC did not provide any loans to key management personnel or their close family members.

21. Events after balance sheet date

Post 30 June 2020, Government bond yields have fallen and expected inflation rates have increased. Government bond yields are used as a proxy for the risk free rate and applied to calculate the present value of our OCL. As at 30 September 2020, the estimated impacts on the OCL of the fall in discount rates and increase in expected inflation rates are increases of $2.3 billion and $1.9 billion respectively with a corresponding adverse impact on the statement of comprehensive revenue and expense for the 2020/21 financial year, which is partially offset by an increase in the fair value of fixed interest investment assets since 30 June 2020 of $1.1 billion. These amounts are subject to change throughout the year as bond yields, expected inflation and the fair value of fixed interest investments move.

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

22. Explanation of significant variances against budget

The budget figures are those in ACC's Service Agreement 2019/20. The Service Agreement 2019/20 was prepared based on the claims valuation as at 31 December 2018, using discount rates at 28 February 2019.

The budget figures are consistent with the accounting policies adopted in preparing the financial statements. The budget figures are un-audited.

Explanations for significant variations from the budgeted figures approved by the Board are as follows:

(A) STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Net levy revenue

Increased levy revenue over budget (0.7%) is mainly the result of increased liable earnings in the Work and Earners' Accounts. These increases are partly offset by the impacts of COVID-19 resulting in increased provision for expected credit loss in the Work and Earners' Accounts and on petrol levies in the Motor Vehicle Account due to reduced consumption.

Investment income

Investment income can be highly variable as it is dependent on movements in equity, bond and foreign exchange markets. ACC budgets for investment income based on a projected twenty year median rate of return. This means that ACC expects to exceed budget for ten out of the next twenty years, and similarly to achieve lower returns than budget for ten out of the next twenty years.

Investment income was substantially higher than budget due to movements in investment markets. Investment returns (after costs) were 0.16% higher than market benchmarks.

Claims paid

Claims paid were 1.7% lower than budget. Claim registrations decreased by 8.0% over the year compared to expected growth of 3.0% at the time the budget was approved. The COVID-19 lockdown and subsequent restrictions had a significant impact on claims volumes as less work, travel, sport and leisure resulted in fewer new registrations and fewer new weekly compensation claims.

Treatment services had favourable variances driven mainly from lower medical treatment claim volumes caused by the COVID-19 lockdown.

Rehabilitation costs had a favourable variance from lower claim volumes across most services during the COVID-19 lockdown.

Weekly compensation costs were above budget due to a higher than expected wage inflation and deterioration of rehabilitation durations for both early and longer-term claims. While the COVID-19 lockdown resulted in fewer new weekly compensation claims, it also caused longer durations for clients as medical certificates were extended during Alert Level 4 as well as causing delays for clients able to return to work.

Increase in outstanding claims liability

The approved budgeted change in outstanding claims liability ('OCL') was based on the December 2018 actuarial valuation of claims liability and economic factors (such as interest rates) at 28 February 2019. The actual change in OCL was based on the June 2020 actuarial valuation of claims liability using economic factors at 30 June 2020.

The actual increase in the OCL was higher than the budgeted increase. Interest rates decreased significantly, which were not anticipated at the time the budget was approved, increased the OCL by $7.3 billion over the year. Forecast inflation fell over the year which reduced the OCL by $1.8 billion. Other significant factors impacting the OCL were changes in claims experience and modelling ($651 million OCL increase) including:

- increases in weekly compensation, due to higher average payments and longer rehabilitation duration,
- increases in social rehabilitation for serious injury, due to higher average attendant care hours and residential care payments, as well as the new claims having more severe injury profiles than expected
- increases in sensitive claims, mainly due to higher new claims whose accidents were more than one year old
- decreases in elective surgery due to lower than expected average payments, particularly for medium- to long-term claims
- decreases in social rehabilitation for serious injury, due to changes made to the mortality assumptions in the valuation model.

A reduction to the OCL of $394 million was put through to reflect lower claims activities and fewer new accidents during the COVID-19 lockdown.

Actual inflation being higher than expected resulted in a increase of $203 million to the OCL.

Movement in unexpired risk liability

The unexpired risk liability ('URL') is the shortfall, if any, by Account between the levy income that ACC will earn for a future period where the rate of levy income has been fixed and the actuarially calculated costs of claims arising over the same future period. The forecast increase in URL was the difference between the forecast calculation of the URL at 30 June 2019 and the forecast calculation of the URL at 30 June 2020.

(B) STATEMENT OF FINANCIAL POSITION

Accrued levy income

The accrued levy income has remained relatively unchanged as there has been no change in levy rates between the previous levy year and the levy year effective from 1 April 2020.

Intangible assets

The value of intangible assets (primarily software) is lower than budget due to lower capital expenditure incurred during the year than anticipated in replacing and upgrading major information technology systems.

Investments

The net investment asset balance is higher than budget reflecting the higher than budgeted investment income earned over the financial year due to the movements in investment markets and a higher opening balance as at 1 July 2019 than forecast when the budget was completed mainly due to investment income exceeding forecast during the 4 months to 30 June 2019.

Payables and accrued liabilities

The payables and accrued liabilities balance is higher than budgeted. The major movement in payables and accrued liabilities is money owed by ACC for unsettled investment transactions such as the purchase of equities and bonds. Investment market conditions resulted in higher investment purchases in the days immediately before 30 June 2020 and therefore a higher short term payables balance than anticipated when the budget was approved.

Outstanding claims liability

The actual OCL, based on the June 2020 actuarial valuation of claims liability using economic factors at 30 June 2020, is higher than the budgeted OCL based on the December 2018 actuarial valuation of claims liability and economic factors at 28 February 2019.

The most significant factor impacting the OCL is the reduction in interest rates between June 2019 and June 2020. Other factors affecting the OCL are identified in the ***"Increase in outstanding claims liability"*** commentary above.

Unearned levy liability

The unearned levy liability ('ULL') is the levy revenue that will be earned up to the end of the levy year for the three levy-funded Accounts.

The ULL has decreased despite no change in levy rates between the 2019/20 and 2020/21 levy years. The decrease is due to increased provision for expected credit loss in the Work and Earners' Accounts due to COVID-19 impacts.

Unexpired risk liability

The URL is the shortfall between the expected future levy income and future costs.

The actual increase in URL was higher than the budgeted increase primarily because of the reduction in interest rates between June 2019 and June 2020 and lower unearned levy liability (refer comments above). As a result, there was a larger shortfall than budgeted between future levy income and future costs which increased the URL above the approved budget.

(C) STATEMENT OF CASH FLOWS

Net cash inflow from operating activities was higher than budget mainly due to lower cash claim and operating costs than anticipated and higher levy revenue cash received which was above expectations due to improved collections in the Work and Earners' Accounts.

These higher cash inflows are partly offset by lower investment income interest and dividend receipts.

Net purchases of investments exceed sales of investments resulting in a net cash outflow from investing activities.

REMUNERATION OF EMPLOYEES

The number of employees whose remuneration was within specified bands is as follows:

$000	2020	2019
$100 – $110	293	282
$110 – $120	229	186
$120 – $130	141	108
$130 – $140	91	69
$140 – $150	72	67
$150 – $160	61	53
$160 – $170	46	33
$170 – $180	36	28
$180 – $190	30	23
$190 – $200	24	20
$200 – $210	19	18
$210 – $220	17	14
$220 – $230	7	8
$230 – $240	13	7
$240 – $250	5	5
$250 – $260	8	2
$260 – $270	3	5
$270 – $280	4	4
$280 – $290	4	–
$290 – $300	4	1
$300 – $310	2	4
$310 – $320	1	1
$320 – $330	2	4
$330 – $340	3	3
$340 – $350	2	1
$350 – $360	2	1
$360 – $370	1	1
$370 – $380	1	2
$380 – $390	–	–
$390 – $400	–	3
$400 – $410	1	1
$410 – $420	2	1
$420 – $430	–	1
$430 – $440	–	–
$440 – $450	1	2
$450 – $460	–	1
$460 – $470	2	2
$470 – $480	2	–
$480 – $490	–	–
$490 – $500	–	–
$500 – $510	–	1
$510 – $520	–	1
$520 – $530	–	2
$530 – $540	–	1
$540 – $550	2	–
$550 – $560	–	1
$560 – $570	1	–
$570 – $580	–	1
$580 – $590	1	–
$590 – $600	–	4
$600 – $610	–	–
$610 – $620	2	–
$620 – $630	–	–
$640 – $650	–	1
$660 – $670	–	–
$670 – $680	–	1
$710 – $720	1	–
$740 – $750	1	–
$810 – $820	–	–
$820 – $830	–	–
$830 – $840	1	2
	1,138	**976**
Average remuneration of above employees	**$143,925**	**$147,529**

80 staff received redundancy payments or settlement payments in 2020, totalling $2,492,144 (2019: 79 staff $2,448,324), which is not included in the above table.

The above table reflects all employee remuneration paid during the financial year.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ACCIDENT COMPENSATION CORPORATION'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

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

Opinion

We have audited:

- the financial statements of the Group on pages 129 to 187, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 42 to 60, 78 to 87 and 114 to 128

In our opinion:

- the financial statements of the Group on pages 129 to 187:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 42 to 60, 78 to 87 and 114 to 128:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2020, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
    - what has been achieved with the appropriations; and

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- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.

- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 October 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw attention to other matters. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of the Covid-19 pandemic on the Group as set out in Note 2(e) to the financial statements.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Board is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

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

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the service agreement.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial

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statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 41, 61 to 77, 88 to 113, 188, and 194 to 201 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

In addition to the audit we have carried out independent quality assurance services related to information technology projects being undertaken by the Corporation, environmental social governance assurance framework quality assurance, information technology capability and maturity assessment, independent mediation support, provision of market data for actuarial remuneration, which are compatible with those independence requriements. Other than the audit fee and these engagements, we have no relationship with or interests in the Group.

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

Glossary

Glossary

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 (AC Act)
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 for people in employment that occur outside work (e.g. at home or playing sport), that are not motor vehicle or treatment injuries.

Entitlement claim
A claim that has received 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.

Gradual process claims
Claims as a result of injuries that have occurred due to prolonged exposure in the workplace to conditions that result in some form of harm (e.g. hearing loss).

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.

Motor Vehicle Account
The Account for all road-related injuries.

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 (e.g. a GP or physiotherapist).

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

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

Shaping Our Future
Our overarching strategy to look at how we operate, from our technology to how we train our people, while putting the customer at the centre of everything we do.

Statement of Intent

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

Strategic intentions

The areas that ACC has identified as needing the most focus during the period of the Statement of Intent (2018-2022).

Superimposed inflation

Increase in costs over and above baseline inflation.

Transformation programme

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

Treatment Injury Account

The Account for injuries arising during medical treatment.

Weekly compensation

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

Whāia Te Tika

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

Work Account

The Account for injuries that occur in the workplace.

Glossary of performance measures

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

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

Actuarial movement

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

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 working days) for resolution of a review after being sent to a third-party resolution services provider. Presented as a rolling 12-month result.

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 FTE

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

Durable return to work

The percentage of clients in the Work Account who have returned to work and have remained at work.

Employee net promoter score

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

Funding ratio (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 outstanding claims liability (including 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 Claims Pool clients who have received weekly compensation for more than 365 days. Presented as a point-in-time result.

Investment management costs as a proportion of total funds under management

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

Investment performance after costs relative to benchmark

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

Long-Term Claim Pool returns to independence

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

Lost-time injury frequency rate

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

Māori lodgement ratio

The ratio of the claim lodgement rate per head of population for Māori to the claim lodgement rate for all New Zealand.

Net trust score

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

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

Proportion of ACC reviews upheld

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

Proportion of staff who identify as having a disability

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

Proportion of ACC staff who identify as Māori

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

Public trust and confidence

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

Rate of long-term clients in part-time work

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

Rate of serious injury

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

Ratio of this year's total levies to the total claims incurred for this year's accidents over time

A measure of the levy income received in a year and the investment income from those levies as a proportion of the cost of claims incurred in that year and the future estimate of those claims' liability. Presented as a point-in-time result.

Reduction in weekly compensation days paid

The difference between the average number of weekly compensation days paid when a client exits the Scheme (rolling 12-month basis) relative to a benchmark average (March 2015) number of weekly compensation exit days. Claims with 29-to 365 days of weekly compensation are included. A negative number represents an increase in average weekly compensation days paid over the benchmark.

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 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.

Return to work within ten weeks

The percentage of clients receiving weekly compensation who return to work within ten 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.

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 date and time of first cover decision (accept or decline). Presented as a rolling 12-month result.

The 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.

The portfolio of injury prevention investments will have an assessed positive return on investment

The return on investment from our injury prevention investments in two areas: 0- to 20-year programmes and workplace programmes. This consists of two parts: the historical value of claims saved divided by the cost of the interventions to date, and the 10-year expected claims saved divided by the likely future cost of the interventions. Presented as an evaluation of the costs and savings at a point in time.

Total recordable injury frequency rate

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

Directory

Directory

Claims	Business	Providers
0800 101 996	0800 222 776	0800 222 070
claims@acc.co.nz	*business@acc.co.nz*	*providerhelp@acc.co.nz*

Our three main call centres are open Monday to Friday, 7am to 7pm.

Claims	0800 101 996	claims@acc.co.nz
From overseas	+64 7 848 7400	**claims@acc.co.nz**
Sensitive claims	0800 735 566	**sensitiveclaims@acc.co.nz** Sensitive Claims PO Box 1426 Wellington 6140
Treatment injury centre	0800 735 566	Treatment Injury Centre PO Box 430 Dunedin 9054
Deaf services		**deaf@acc.co.nz**
Language and cultural services	0800 101 996	

Business	0800 222 776	business@acc.co.nz
Employers	0800 222 776 +64 7 859 8675	ACC Business Service Centre PO Box 795 Wellington 6140
Self-employed	0508 426 837 +64 7 859 8676	
Agents and advisors	0800 222 991 +64 7 859 8677	
Injury management (for employers)	0800 101 996	**returntowork@acc.co.nz**
Collections and recoveries	0800 729 538 +64 4 805 4296	**collections@acc.co.nz** ACC Collections and Recoveries PO Box 3248 Wellington 6140

Providers	0800 222 070	*providerhelp@acc.co.nz*
		Northern Service Centre PO Box 90341 Auckland 1142

General questions	04 816 7400	*information@acc.co.nz*
		ACC PO Box 242 Wellington 6140
Statistics		***statistics@acc.co.nz***
Complaints and feedback	0800 650 222 +64 7 859 8560	***complaints@acc.co.nz*** Customer Resolution Freepost 264 PO Box 892 Hamilton 3240
Media		***media@acc.co.nz***

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

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