

Pūrongo Ā-Tau Annual Report 2024



He Kaupare. He Manaaki. He Whakaora.
Prevention. Care. Recovery.



Karakia

**Whāia, whāia
Whāia te tika
Whāia te pono
Whāia te aroha
Mō te oranga tāngata
Kia puta ki te whai ao,
Ki te ao mārama
Haumi e, hui e, taiki e.**

Our karakia can be interpreted as follows:

Striving to do what is right

Undertaking to act justly

Being considerate of everyone

That it may improve the lives of all.

Ngā kōrero o roto

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Pūrongo-ā-tau | Annual Report 2024

Highlights our achievements throughout the year and outlines our financial and non-financial performance. It describes our results for 2023/24 and reports on how we performed against our strategic intentions, as set out in our Statement of Intent and Service Agreement.

How to read this report

The overview of this report gives summary performance information, and talks about who we are, what we do, and the key aspects of our operating environment for 2023/24.

The remainder of the report provides more detail about our progress towards our strategic intentions (Mana Taurite | Equity, Ringa Atawhai | Guardianship and Oranga Whānau | Safe and Resilient Communities) and increasing our organisational excellence. It also gives information on our governance, Investment Fund, statement of performance and our financial statements.

Previous Annual Reports, our Statement of Intent and Service Agreement are available on our website acc.co.nz.

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



He whakamārama
Overview



Tō mātou whakahaere | Our organisation

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

Our workforce delivers and commissions services via the Scheme to help prevent injuries and get New Zealanders and visitors back to everyday life if they have had an accident or personal injury.

ACC exists to provide a fair and sustainable scheme for managing personal injuries that minimises the incidence and impacts of these injuries on the community.

“The purpose of this 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

The Scheme was established following the 1967 Royal Commission of Inquiry on Compensation for Personal Injury in New Zealand, chaired by the Rt Hon Sir Owen Woodhouse. The 'Woodhouse Report' led to an extension of 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 not previously covered (including students, non-earners and visitors to Aotearoa 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.

The Scheme is managed through five Accounts, with each providing cover for a specific group of injuries. Each Account operates independently and cannot cross-subsidise another.

Each year we receive more than two million claims from people who rely on us when they are injured. They draw on us for support throughout their lifetimes, whether through our funding and support for injuries or our work to make people's lives safer. If we can prevent accidents and injuries, New Zealanders will not need to lodge claims at all.

Most claims are for relatively minor injuries, but some people with serious injuries will require ongoing support for decades into the future.

A portion of the levies collected and appropriations received is invested in funds managed by ACC to meet the future costs of supporting injured people. ACC oversees one of the largest investment funds in Aotearoa New Zealand.

We aim to share the costs of accidents fairly across generations to ensure all New Zealanders (and visitors) are cared for into the future. This extends to our responsibilities regarding climate change and ethical investment.

To deliver the Scheme we have three outcomes we aim to achieve over the long term:

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

In 2023/24, we launched our new enterprise strategy, Huakina Te Rā. This builds on ACC's prior work with a 10-year vision to guide our new strategic course.

Te whāinga roa | **Our vision**

Our vision is Tōnui Ake Nei | Thriving Aotearoa — a future where we work together so that all people and their communities can live lives they value.

Tōnui means 'to thrive and prosper'. Ake Nei refers to something that is 'increasing, rising, of great importance'.

Tō mātou aronga | **Our purpose**

Our purpose is to improve lives every day through a focus on prevention, care and recovery for all people in Aotearoa New Zealand who are affected by injury.

Ngā pae ārahi | **Our guiding principles**

Our guiding principles express our commitment to embedding the promise of Te Tiriti o Waitangi/The Treaty of Waitangi in everything we do. They are inspired by the words of our ACC karakia, Whāia Te Tika:

Whāia te tika | We strive to do what is right.

Whāia te pono | We undertake to act justly.

Whāia te aroha | We are considerate of everyone.

Mo te oranga whānau | We improve the lives of whānau.

Ki te ao mārama | We strive to grow and evolve.

50 years

1974 - 2024

On 1 April, we marked a significant milestone as we celebrated our 50th anniversary since being established in 1974. Our no-fault scheme was unique internationally, and it remains so today. No other country has succeeded in introducing a scheme quite like it.

Our purpose is improving lives every day through a focus on prevention, care and recovery for all people in Aotearoa New Zealand who are affected by injury. It is why we have been around for 50 years and why we will be here in the future. We are committed to helping New Zealanders and their families to avoid injury and provide support when injuries occur.

New Zealand today is almost unrecognisable from what it was when ACC was founded in 1974.

The Government of the day set up a Royal Commission to investigate and report on workers' compensation. In 1967, the Commission produced what became known as The Woodhouse Report, named after its chairman, Sir Owen Woodhouse.

The report attracted worldwide attention for highlighting challenges with the common law fault system. The system relied on accident victims being able to prove their injuries were caused by negligence, or a breach of a duty of care, owed to them by another party.

Sir Owen proposed a change of emphasis from finding fault to looking at the needs of the accident victim. The proposed changes were described at the time as being "dramatic".

In 1972, the Accident Compensation Act was passed, providing compensation for personal injury by accident. This bold new no-fault scheme offered compensation to earners and victims of motor vehicle accidents.

The Accident Compensation Amendment Act 1973 provided a more comprehensive scheme, covering non-earners and abolishing the right to sue in a New Zealand court to recover damages for personal injury.

Today, ACC helps people of all ages, from all walks of life, live as fully and safely as possible. This means focusing on keeping people safe at homes, on the roads, at work and in their leisure activities.

But we know that some injuries will continue to happen. When someone has an accident, and needs to take time off work, we can support them financially. We can help with rehabilitation needs, until our clients are able to return to work. Whatever the situation, we will provide the right level of care so injured people can achieve appropriate independence.

Throughout our 50-year history we have remained committed to caring for our customers when they are hurt, and working to prevent injuries from occurring in the first place. We believe that everyone in New Zealand should have the freedom to live a full and independent life, in the knowledge that if injury occurs, we will be there.

Thank you to everyone who has played a part in bringing ACC to New Zealanders for the past 50 years, from Sir Owen Woodhouse's leadership to our dedicated staff helping to improve lives every day.

Our Te Tiriti o Waitangi | Treaty of Waitangi statement

E whakaae ana mātou ko Te Tiriti o Waitangi te tūāpapa o te kāwanatanga o Aotearoa e whakaū ana i te noho ā-motu o tēnei whenua. Ka mahitahi mātou ki a ngāi Māori, hei hinonga o te Karauna, ki te whakatinana i Te Tiriti o Waitangi/The Treaty of Waitangi, ā ka pūmau mātou ki te whakatutukinga o ngā putanga taurite ki te Māori i raro i tō mātou Kaupapa Inihua.

I raro anō i tō mātou tū hei hinonga o te Karauna, ka whai mātou i ngā mahi e hāngai ana ki ngā hiahia o te Māori e kitea ai te ngākau pūmau o te Karauna ki Te Tiriti o Waitangi/The Treaty of Waitangi.

We recognise that Te Tiriti o Waitangi/The Treaty of Waitangi is a founding document of government in New Zealand and established the country as a nation. We will partner with Māori, as an entity of the Crown, to give effect to Te Tiriti o Waitangi/The Treaty of Waitangi and commit to achieving equitable wellbeing outcomes for Māori in relation to our Scheme.

As a Crown entity, ACC acts to be responsive to Māori as an expression of the Crown's commitment to Te Tiriti o Waitangi/The Treaty of Waitangi.

Te Kupu Whakataki a te Minita | From the Minister

For 50 years, ACC has been supporting people in New Zealand to recover from injury. I am proud to be the Minister for ACC, at this important milestone of the Scheme that delivers injury prevention initiatives and no-fault personal injury cover for everyone in New Zealand. Over the years, ACC has remained true to the pillars of the Scheme: prevention, care and recovery while adapting to the ever-changing environment it operates in.

Earlier in the year, through my letter of expectations I set clear expectations for ACC in 2024/25. Alongside supporting the delivery of the Coalition Government's priorities, I included specific expectations around regulatory stewardship, improving rehabilitation outcomes and injury prevention.

I have challenged ACC to deliver rehabilitation more efficiently by better supporting all injured New Zealanders to have a quicker and more sustainable return to work. I am assured by ACC's plans towards improving performance and look forward to the outcomes of this plan becoming tangible and the impact this will have on injured New Zealanders.

I acknowledge that injury prevention is a key lever to sustainably improving the performance of the Scheme. The work ACC is undertaking to refresh its injury prevention strategy covers where and how injury prevention initiatives will be delivered is promising. Reducing the incidence and severity of injuries will assist with reducing the cost of injuries.

I acknowledge the steps ACC has taken to date towards ensuring strict financial management to ensure limited funds are directed towards the highest value investments. This flows into my expectation that ACC gives effect to the funding policy when it makes levy recommendations to me, following public consultation, later in 2024.

This year three new ACC Board members were appointed: Kim Gordon, Dan Buckingham and Jan Dawson. I would like to thank departed Board members the Hon Steve Maharey and Pat Bowler for their commitment to ACC over recent years.

Finally, I would like to thank the ACC Board, the Executive and ACC's employees for the valuable work they do. I look forward to continuing our work together to deliver a Scheme that improves lives every day by focusing on prevention, care and recovery for all people in New Zealand who are affected by injury.



Hon Matt Dooney
Minister for ACC

Nā te Poari | From the Board

2023/24 marked two important milestones for ACC.

At the start of the year ACC's new 10-year strategy, Huakina Te Rā, was launched. The strategy focuses on ensuring a sustainable future where we work in partnership with service providers, employers, Māori, identified population groups, and communities to support all people in New Zealand to stay safe and recover from the impacts of injury.

Then in April 2024 ACC celebrated its 50th anniversary. For the past 50 years ACC has been improving lives every day, and our strategy, Huakina Te Rā, provides the organisation with a vision to enhance the value it offers all people in New Zealand into the future, through ensuring that the Scheme is fair and sustainable.

Rehabilitation performance deteriorated throughout the year, continuing a decade-long trend and despite the hard work of our people and providers. A deep review of the end-to-end rehabilitation system and how it serves injured people has led to the development of an ambitious 3-year plan focused on stabilising the long-term decline and improving rehabilitation performance.

As a Crown entity, ACC supports the Government's expectations for public sector organisations to embed a culture of expenditure restraint and fiscal discipline while still delivering for all New Zealanders. Delivering on this expectation has meant ACC has reconsidered the organisational structure needed to ensure clients are supported to get better faster, while realising operating budget savings and investing in areas that will have the greatest positive impact and which offer the most value for the Scheme and for New Zealand.

In December 2023, two Court of Appeal Rulings were issued, providing guidance and clarity on complex areas of our legislation, and shifting Scheme boundaries. ACC is working to gain a thorough understanding of the rulings and impacts, so the legal decision can be implemented appropriately. As these are such complex areas it is important to take the time needed to get this right.

This year we are recording a deficit of \$7.2 billion, driven by a significant increase in the Outstanding Claims Liability

(OCL). This year, the largest single driver of financial performance is the estimated provision for policy changes following the outcomes of the two Court of Appeal rulings. While these rulings are out of ACC's control, focus remains on the areas of performance where the organisation can influence costs, which includes improving rehabilitation performance. The two other key drivers of the OCL increase were economic adjustments and rehabilitation performance.

Our investment returns had a solid performance in 2023/24. The 7.46% (after costs) return was below our comparative benchmark, but above estimated long-run returns. This performance reflects the continued strong performance of the Investments Team and means that every \$100 invested in 1992 was worth \$1,692 by 30 June 2024. Strong investment returns reduce the risk that future levy payers will have to pay for past injuries.

In 2024, ACC will undertake levy consultation to set levy rates for the three years effective from the 2025/26 levy year. While Cabinet makes the final decision on the rates, ACC's recommendations will reflect the need to ensure the Scheme remains sustainable for future generations.

During 2024/25 ACC will publish its first Scheme Access Report, highlighting disparities in access for Māori and identified population groups. This is another important milestone in ACC's journey and will help to better understand and target efforts to improve equity of access.

We look forward to the focus on reducing the incidence and severity of injuries through the delivery of ACC's refreshed injury prevention strategy in the coming year.

This year we farewelled the former Board Chair Hon Steve Maharey and member Pat Bowler from the Board. We thank them for their significant contribution to the effective governance of the organisation.

We would like to thank Megan Main and the Executive Leadership team for their commitment and leadership through this eventful year, ensuring ACC is an organisation supporting a thriving New Zealand into the future. We would also like to acknowledge the care and dedication of ACC's people throughout the year.



Dr Tracey Batten
Board Chair
Date: 18 September 2024



David Hunt
Deputy Board Chair
Date: 18 September 2024

Nā Te Tumu | From the Chief Executive

ACC's vision is Tōnui Ake Nei | Thriving Aotearoa. This is a vision for a future where ACC works together with our partners so all people and their communities can have the freedom to live good lives. I am passionate and committed to bringing this vision to life by delivering on the aspirations set out for our new 10 year strategy, Huakina Te Rā.

To deliver on our vision and aspirations for Huakina Te Rā we need to be trusted stewards, looking after the Scheme for New Zealand so we can continue to support current and future generations.

Demonstrating our progress towards delivering Huakina Te Rā required a new performance framework to be developed. The new framework provides visibility on key areas relevant to the new dual-framed strategic goals. A key area of change was including metrics that give insights into the outcomes being achieved for Māori and all New Zealanders.

Each year, the Scheme continues to grow, based on the number of injured people we support and partners we work with. Although we continue to prevent injuries, this is not material enough yet to offset rising claim numbers and Scheme costs.

This year we refreshed our injury prevention strategic approach for reducing the incidence, severity, and cost of injuries. This will see us using injury prevention investment in a more targeted way, employing a broader range of delivery levers.

As more new claims enter the Scheme, the number and proportion of new weekly compensation claims continues to grow at a faster rate. Growth in new weekly compensation claims has a significant influence on rehabilitation performance. High volumes affect the workload of our staff and the composition of claims being managed.

Rehabilitation performance is a key focus for ACC, and in 2023/24 our results did not meet expectations. In the year, a claim receiving weekly compensation for less than one year returned to work within 72.8 days on average, and there are now ~22,700 claims on the Scheme that have received more than one year of weekly compensation.

Several external factors also continue to affect rehabilitation performance, including pressures in the wider health sector and access to services. These deteriorations in performance mean more injured people are staying on the Scheme for longer, increasing the costs of claims.

This year the organisation was challenged to remove duplication, limit expenditure and stop work that was not closely connected to improved rehabilitation outcomes for our clients.

It was disappointing to learn this year that our efforts to provide more efficient and effective support for injured people through MyACC had been taken advantage of. The fraudulent activity meant we needed to shut down the system and reprioritise activity, support and resources from our customer-facing teams. It also caused unnecessary concern and disruption for our customers and people. Clients who use our MyACC self-service application can be assured the platform is safe to use.

Over the past 18 months we have undertaken considerable work to develop a very clear understanding of the end-to-end journey of injured people and our key Scheme performance drivers. Building on this work we have developed a prioritised work programme. This programme focuses on four key priorities: improving rehabilitation performance; driving an injury prevention culture, improving Scheme access and experience; delivering an efficient, capable and resilient organisation. It also encompasses an Investment Plan phased over 3 years balancing immediate service improvements targeting rehabilitation performance with advancing longer-term systemic changes.

This year several key elements of the Investment Plan were implemented. It will take time for these initiatives to demonstrate the difference we are making in an injured person's recovery. However, I am confident that these are the things that will have the greatest positive impact on rehabilitation performance.

To support the prioritisation and focus of our efforts, we needed to rethink how we were organised to make the biggest difference to the people we are here to serve. Earlier in 2024 as part of a focus on achieving operational savings and efficiencies, I consulted on how we could reduce the headcount in some parts of ACC that sit outside our client-facing teams. This resulted in significant change across the organisation. The change was undertaken in parallel to growing our client facing workforce by 250 people to enable more one-to-one case management for clients receiving weekly compensation. We focused on ensuring as many redeployment options and as much support as possible was available for directly impacted staff.

Our new structure will go live in September 2024 and will support ACC to take the next significant steps toward delivering Huakina Te Rā. This includes working in different and more connected ways for greater impact and creating the capacity for investing in the new capabilities that will help us to deliver for New Zealand.

I would like to thank Peter Fletcher, Tane Cassidy and Michelle Murray who finished during 2023/24 for their leadership, guidance and commitment during their time as members of our Executive Leadership team.

During 2023/24 we established our new Māori group and welcomed Rēnata Blair to ACC as our Deputy Chief Executive for this group.

On behalf of the Executive Leadership team, I thank all our employees for the focus and commitment they bring to their roles every day. We have asked a lot of you this year and acknowledge the disruption created in your work and your lives by our restructure. The care and professionalism that you have shown throughout this process is commendable. Your hard work supports our commitment to our vision through achieving our strategic goals.



Megain Main

Chief Executive

Date: 18 September 2024

Te Poari o ACC | ACC Board

ACC is governed by a Board of up to nine non-executive members, each appointed by the Minister for ACC for terms of up to 3 years. The Board has the authority to exercise ACC's statutory powers and perform its functions. Our Board members as at 30 June 2024 are set out below. For further information on our Board members and governance see page 62.



Dr Tracey Batten

Chair
(from December 2023)
Appointed February 2019



David Hunt

Deputy Chair
(from December 2023)
Appointed September 2021
Committees: People and
Culture (Chair), Investment



Bella Takiari-Brame

Appointed February 2021
Committees: Risk,
Assurance and Audit (Chair)



Dr Helen Nott

Appointed February 2021
Committees: Risk,
Assurance and Audit



Mark Cross

Appointed: August 2021
Committees: Investment
(Chair)



Kim Gordon

Appointed September 2023
Committees: Risk,
Assurance and Audit,
People and Culture



Dan Buckingham

Appointed June 2024



Jan Dawson

Appointed June 2024

Te Rōpū Whakahaere o ACC | ACC Executive

Led by the Chief Executive, the Executive Team has collective responsibility for the leadership and performance of ACC. Our Executive members as at 30 June 2024 are set out below. For further information on the make-up of the team see page 68.



Megan Main

Chief Executive
Joined November 2021
Sponsor of Te Aka Wāhine |
Women's Network



Andy Milne

Deputy Chief Executive,
Strategy, Engagement and
Planning
Joined September 2022
Sponsor of Te Whānau āhei
ki ACC | Ability@ACC



Amanda Malu

Deputy Chief Executive,
Service Delivery
Joined September 2022
Sponsor of Moana Pasifika
Network



Michael Frampton

Deputy Chief Executive,
People and Culture
Joined April 2022
Sponsor of Te Whānau
Uenuku ki ACC |
Pride@ACC



Stewart McRobie

Deputy Chief Executive,
Corporate and Finance
Joined: August 2022
Sponsor of Wairua o te
Hinengaro | The Mind
Network



Paul Dyer

Chief Investment Officer
Joined September 2008



Rēnata Blair

Deputy Chief Executive,
Māori
Joined November 2023
Sponsor of Te Kōtuitui
Tāngata | ACC Māori
Network



Phil Riley

Deputy Chief Executive,
Prevention and Partnerships
Acting (from April 2024)



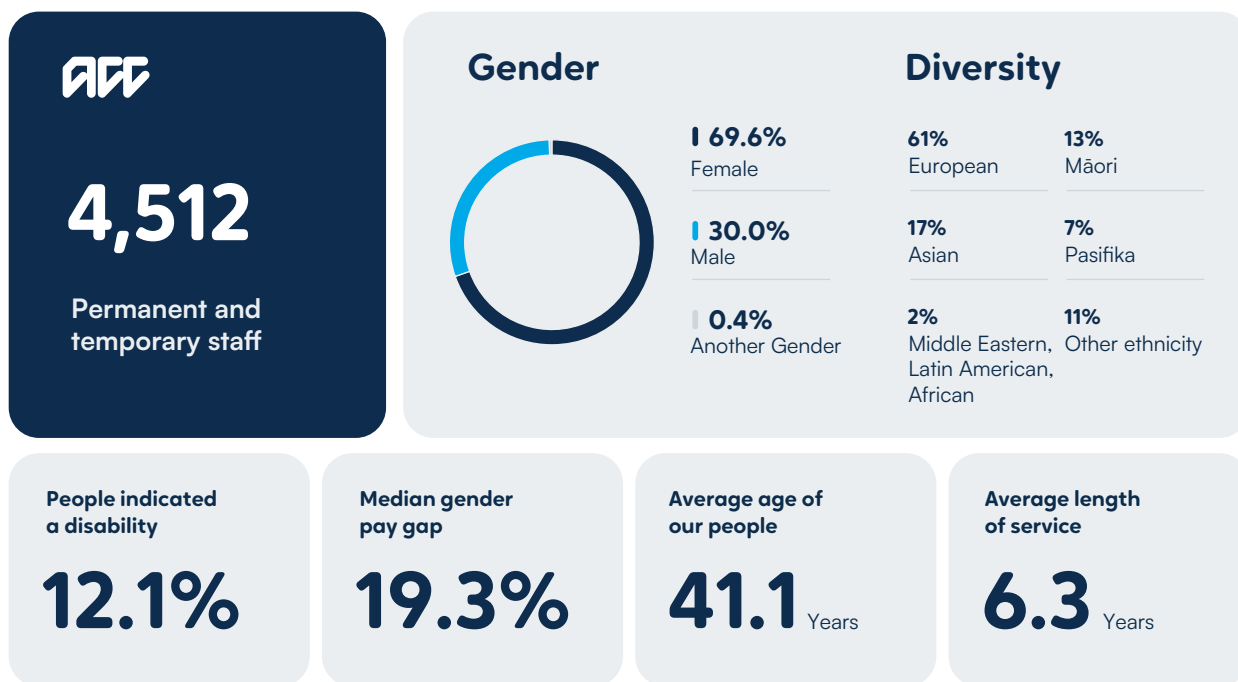
Campbell Mackie

Deputy Chief Executive,
Enterprise Change Delivery
Acting (from June 2024)

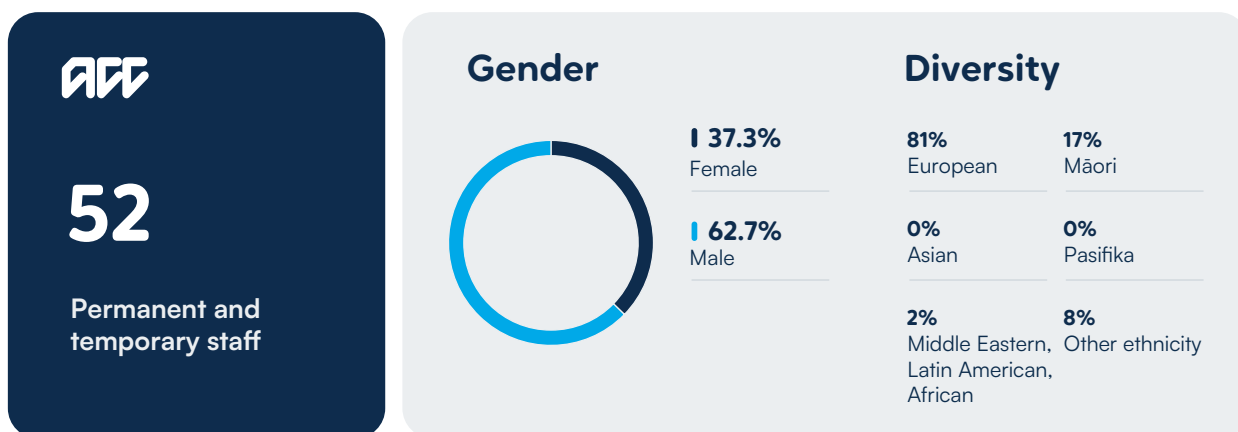
Ō mātou tāngata | Our people

To maintain a diverse, high-performing workforce empowered to deliver great customer experiences and outcomes, we want to increasingly reflect the diversity of Aotearoa New Zealand in our own workforce. This will allow us to listen, respond to and anticipate our customers' needs more effectively.

All Staff



Tier 1-3 managers



Ethnicity can add to more than 100% as employees were able to select more than one ethnicity.

Our locations

It is important that those recovering from an injury have access to the right level of support, at the right time. There is a range of ways clients can access support from us, so together we can better meet their individual needs. Our teams support injured people through their recovery journey. We have over 20 locations across the country should an in-person interaction be required. Different teams provide different levels of care that are specific to an injured person's needs.



Organisation-wide restructure

In 2023/24, there was a clear expectation set for the public sector by the Government, through the Minister of Finance, for expenditure restraint and fiscal discipline, while still delivering for all New Zealanders.

We considered how to respond to our changing environment and operating challenges. It became clear that we need to work in different and more connected ways. We need to become accustomed to doing fewer things, better, for greater impact. We also need to create capacity for investing in the new capabilities that will help us to deliver what New Zealand needs from us.

As a result, we consulted on changes to be made at ACC to help us successfully respond to these challenges, with the formal structural change decisions made in June 2024. The changes are significant and the impacts on our people are substantial.

From 12 September 2024, our organisation is structured as follows to help deliver on our priorities now and into the future.



Ngā āhuatanga o ngā whakahaere | ACC's operating environment

A growing Scheme with increasing complexities in our operating environment means 2023/24 has been another challenging year for ACC. Key themes this year included increasing claim volumes, lower-than-expected rehabilitation performance and expansion of the Scheme boundaries.

Claim volumes

In 2023/24, there were over two million new claims made to ACC. These injured people received over \$4 billion of treatment and rehabilitation services and almost \$3 billion of compensation payments.

New claims registered and new weekly compensation claims continued to grow this year. There were 71,000 more new claims registered than in 2022/23, reflecting a 3.6% annual growth and 4,000 more new weekly compensation claims than in 2022/23, reflecting a 3.9% growth rate.

We know that movements in macro-economic factors are key drivers of new claim volumes. There is strong correlation with four factors: population growth, gross domestic product (GDP), unemployment rate and distance driven. Using the latest macro-economic forecasts, a slowdown in growth for new claims is expected in 2024/25. The number of new claims, particularly the number of new weekly compensation claims, is a key driver of Scheme performance.

Performance

Our performance against our targets for 2023/24 was below expectations. It was a challenging year for the Scheme as reflected in our results, specifically those relating to rehabilitation performance.

The growth in new weekly compensation claims has a significant influence on rehabilitation performance. High volumes affect the workload of our staff. The wider health sector also continues to experience workforce pressures, which can lead to delays in access to services, timeliness between consultations, and changes to medical certification practices that all influence rehabilitation timeframes. Timely and regular access to primary, secondary and tertiary care are critical to rehabilitation, so these factors can influence rehabilitation timeframes.

These factors all drive deteriorating rehabilitation performance. In the year, a claim receiving weekly compensation for less than one year returned to work within 72.8 days on average, this was 69.7 days at the start of the year. There are now ~22,700 injured people on the Scheme who have received more than one year of weekly compensation. These deteriorations in performance mean more claims are staying on the Scheme for longer, increasing the costs of claims.

Over the course of 2023/24 we have developed a deeper understanding of our performance drivers. To specifically address rehabilitation performance, we have developed a 3-year Investment Plan to deliver on the priority to improve rehabilitation performance

This builds on the work conducted by the Rehabilitation Improvement Group to deepen our understanding of the end-to-end rehabilitation system and how it serves our clients. We also conducted a Health Commissioning Review to benchmark components of our health commissioning spend to international comparators, review our existing procurement practices, and consider whether our value-based healthcare approach could be more broadly applied.

As the scale of change required is significant, the Investment Plan is phased over a 3-year period and balances short-term improvements with advancing systemic longer-term changes. Key elements of the Investment Plan underway in 2023/24 included:

- Shifting all new and low-complexity weekly compensation claims in Assisted Recovery to being case managed using a one-to-one approach.
- Establishing a new Integrated Recovery team to enhance the support for clients who have been out of work for extended periods and have the potential to achieve a positive rehabilitation outcome.
- Ensuring use of Integrated Care Pathways Musculoskeletal (ICPMSK), which is a provider-led approach to managing clients with shoulder, back and knee injuries with a certain level of complexity.
- Looking at how we commission services to improve the efficiency and sustainability of the Scheme, while improving outcomes for our clients.

We are confident that these initiatives, along with our ongoing efforts to improve our service delivery, will help us achieve the dual-framed strategic goals of Huakina Te Rā and support improved rehabilitation outcomes for our clients.

Court of Appeal rulings

In December 2023, the Court of Appeal issued rulings on two cases. One ruling shifts Scheme boundaries regarding cover, while the other ruling shifts Scheme boundaries for entitlements. Both rulings are complex, but the second is significantly more complex to operationalise and will have greater impact on clients and the Scheme.

The estimated provisions for policy changes following the outcomes of the two Court of Appeal rulings have been recognised in the June 2024 valuation of the OCL. These OCL impacts are expected to be greater than \$3.6 billion.

We are currently working through operationalising these rulings. The actual OCL impact will depend on how they are implemented. You can read more about this on page 110.

MyACC

MyACC is our online service that can be accessed from any device, anytime making it a convenient way for our clients to self-manage different aspects of their recovery with us.

There was fraudulent access to some MyACC accounts in the second quarter of the year. The people behind the fraud used MyACC to submit fraudulent travel reimbursement claims for financial gain. As a result, we shut down MyACC and conducted an urgent forensic investigation with external experts to determine more about the perpetrators and how the apparent fraud was conducted. Managing the impacts of MyACC being offline required a refocus and reprioritisation of activity, overtime, and support from our customer-facing teams. The disruption the apparent fraud caused our customers was disappointing.

Leadership changes

In December 2023, the ACC Board Chair the Hon Steve Maharey resigned. He made a significant contribution to the governance of ACC. Dr Tracey Batten, who was Deputy Chair, was acting Board Chair until she was appointed Chair in March 2024. At this time David Hunt was appointed Deputy Chair. Details of our governance structure can be found on page 62.

Restructure

There was also a change in the New Zealand Government in November 2023. The Government, through the Minister of Finance, set a clear expectation for public sector organisations to embed a culture of expenditure restraint and fiscal discipline, while still delivering for all New Zealanders.

ACC is a Crown entity and we are very much part of the wider public sector. This means we need to support the Government's priorities, while ensuring we help our clients get better faster, and invest in things that will have the greatest positive impact for the Scheme and for New Zealand.

To deliver on this expectation, we identified operational savings in areas such as postage and travel. We also conducted a proposal for change and will move to a new structure in September 2024. The new organisational structure has reduced the number of roles in our supporting functions. At the same time, we are investing in approximately 250 additional customer-facing roles.

Moving to the new structure will mark a significant milestone in the organisation's journey towards delivering on Huakina Te Rā and improving our performance. We are mindful that to be successful, we need to reprioritise and place more focus on the things that matter most.

Our customers

ACC is funded from multiple sources, including business, petrol revenues and wages. We use these funds to help with prevention, care and recovery. When a person is injured in an accident in Aotearoa New Zealand, we provide the care and support that person needs to get back to everyday life

we have accepted

2.04m

New claims this year

of the claims accepted

1.72m

Required medical treatment only

and over

165k

claims received weekly compensation

We cared for

~440

New serious injury people

while supporting

~1,400

Claims for fatalities

Every injury comes with its own unique set of circumstances, and everyone who gets injured has their own needs and priorities. Which means we need to tailor our support to each individual who needs our help. Whether an injury is minor or life-changing, we will work with you to find the best solution and put that plan into action.

We helped injured people this year access these services:



GPs

1.3m



Physiotherapy

755k



Radiology

687k



Care & Help around the home

182k



Elective surgery

46k



Vocational Rehabilitation

43k

Huakina Te Rā



Our strategy name, Huakina Te Rā, is the command that calls ACC to action, engaging the sails of the waka into momentum towards our destination.

Te Kitenga Roa | Our Vision
Tōnui ake nei
Thriving Aotearoa

Tō Tātou Aronga | Our Purpose
Kia piki ake te oranga
o ngā tāngata ia rā
To improve lives every day

Ngā Pae Ārahi | Our Guiding Principles

We uphold Te Tiriti o Waitangi / The Treaty of Waitangi through:

Whāia te tika
 We strive to do what is right

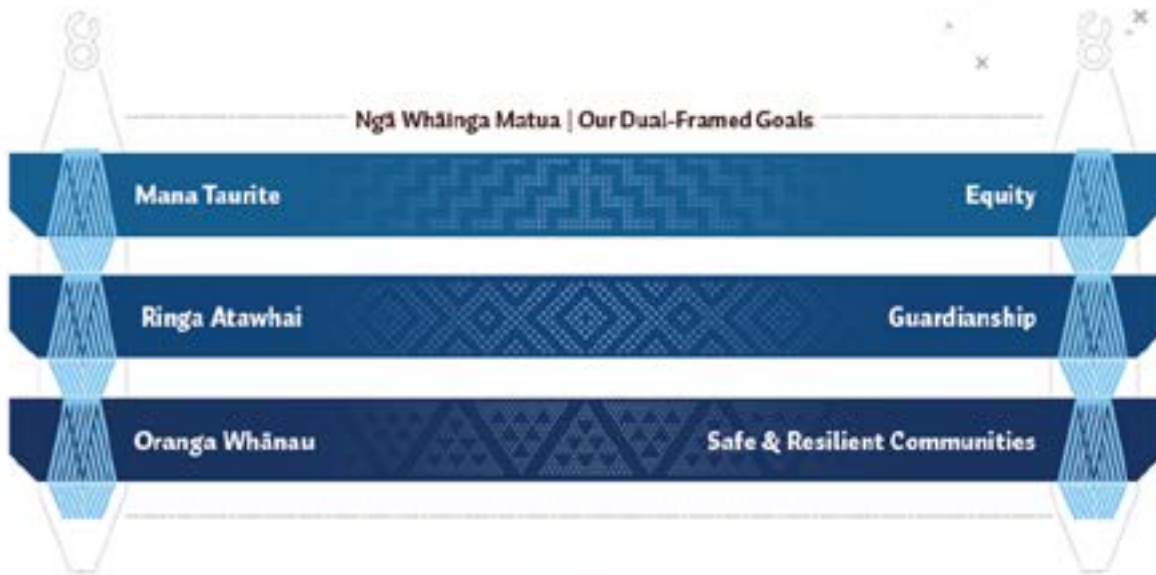
Whāia te pono
 We undertake to act justly

Whāia te aroha
 We are considerate of everyone

Mō te oranga whānau
 We improve the lives of whānau

Ki te ao mārama
 We strive to grow and evolve

Ngā Whāinga Matua | Our Dual-Framed Goals



Te Ara Hou | What We Will Do



Huakina Te Rā

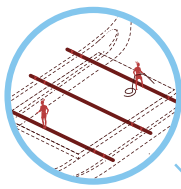
In 2023/24, we launched our new enterprise strategy, Huakina Te Rā. This builds on ACC's prior work with a 10-year vision to guide our new strategic course. Underpinned by Te Tiriti o Waitangi/The Treaty of Waitangi, our strategy seeks to create meaningful change through a relentless pursuit of equitable wellbeing outcomes for the people we serve. It builds on the whakapapa and aspirations of Whāia Te Tika (our Māori strategy) and has been developed with a dual framework that acknowledges both Te Tiriti o Waitangi/The Treaty of Waitangi partners, as represented by a waka hourua (a double-hulled sailing vessel).

Waka hourua

Huakina Te Rā is a dual-framed strategy. Our aim is to have a clear response for both tangata whenua and tangata Tiriti under a single and purposeful strategic direction and vision for ACC. We will do this by taking a 'waka hourua' Treaty-based approach to implementing the enterprise strategy, Huakina Te Rā.

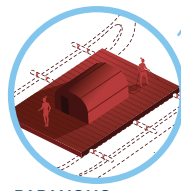
Huakina Te Rā draws inspiration from and builds on the whakapapa of Whāia Te Tika as our connection to the past and acknowledges the significant role it has played in getting ACC to where it is today. The aspirations of Whāia Te Tika are core to the direction of Huakina Te Rā and represent the mauri (life force) that energises and guides ACC into a future where we enable our communities to achieve oranga whānau (family wellbeing).

The kiato represent the dual-framed goals in our strategy. Kiato work together to connect, stabilise, and provide strength to our waka hourua.

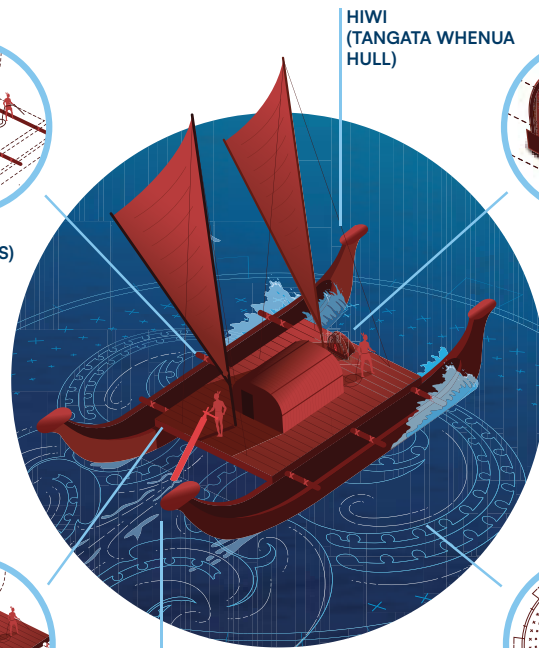


**KIATO
(CROSSBEAMS)**

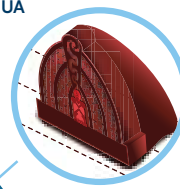
The papanoho provides the space for tangata whenua and tangata Tiriti to come together, where we have equal space to share our worldviews, knowledge systems, and values to chart and plan our way forward.



**PAPANOHO
(SHARED SPACE)**



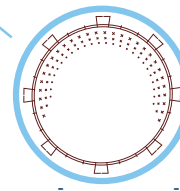
**HIWI
(TANGATA WHENUA
HULL)**



**TE TOKA MAURI
(MAURI STONE)**

Te toka mauri represents Whāia te Tika as a source of strength to guide us safely into a future where communities achieve oranga whānau.

**HIWI
(TANGATA TIRITI HULL)**



**TE KĀPEHU WHETŪ
(STAR COMPASS)**

Te Kāpehu Whetū is our Māori Outcomes Framework, guiding ACC's journey towards achieving wellbeing outcomes for all people in Aotearoa, New Zealand. Waka hourua navigators used a kāpehu whetū to understand their positions and direct their journeys.

Long term

Enduring

Statutory purpose

ACC Scheme purpose

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 [...] the overall incidence of injury in the community, and
- [minimising] the impact of injury on the community (including economic, social, and personal costs)...

(Section 3, Accident Compensation Act 2001)

Huakina Te Rā

Huakina te Rā provides the 10-year direction for the organisation, articulating our vision as well as establishing our strategic intentions and outcomes and what we will do differently to achieve them.

Vision

Our Vision is Tōnuī Ake Nei | Thriving Aotearoa

Outcomes

Our Goals and Outcomes:

Mana Taurite | Equity is our dual-framed goal for all people in Aotearoa New Zealand to experience accessible services and improved outcomes.

Ringa Atawhai | Guardianship is our dual-framed goal for the Scheme to be sustainable for present and future generations.

Oranga Whānau | Safe and Resilient Communities is our dual-framed goal to partner and invest to help create safer and more resilient communities.

Medium term

Four years

Intentions

Our medium-term results describe what we aim to achieve in the next four years under Huakina te Rā. They demonstrate where we will concentrate our efforts to deliver against our strategic goals and outcomes. Our medium-term results also include how we will improve the organisational health and capabilities of ACC.

Our intentions are the measurable performance improvements in medium-term result areas for tangata whenua (as described by Te Kāpehu Whetū) and tangata Tiriti.

Mana Taurite | Equity:

Achieving Mana Taurite means improving equity of access, the service experience and outcomes for Māori while ensuring the mana of the recipients is upheld in the process.

Equity is helping people to get the support they need, when they need it, to recover from injuries. We will achieve this by focusing on groups that face barriers to access, support, and equitable outcomes.

Ringa Atawhai | Guardianship:

Ringa Atawhai is a focus on the actions we will take to actively care for, foster, and nurture partnerships with Māori to support our role in maintaining a sustainable Scheme for our mokopuna.

Guardianship means ensuring the sustainability of the Scheme and maintaining the trust and support of the people we serve by fulfilling our role as kaiāwhina.

Oranga Whānau | Safe and Resilient Communities:

Oranga Whānau is a strength-based, Māori-worldview approach to protecting our mokopuna and to building resilience. It is guided by our ambition for greater primary prevention and a kaupapa Māori approach to designing prevention solutions.

Safe and Resilient Communities will strengthen safety and resilience by partnering and investing where it counts, with a continual focus on preventing and mitigating the impacts of injury.

Short term

One year

Our outputs

We aim to achieve the best possible delivery of the Scheme and Huakina te Rā through our outputs, representing the core activities we deliver and the areas in which we invest.

Injury prevention

Our injury prevention initiatives aim to minimise the incidence and severity of personal injury to reduce the economic, social, and personal impacts on people and communities. In doing this, we must also achieve a cost-effective reduction in levy rates or government funding.

Levy setting and collection

To deliver and commission services, we must collect revenue. As part of the levy-setting process we calculate future revenue needs in line with the funding requirements of the Scheme and advise the Government on the setting of new levies for motor vehicle owners, businesses and employers, and workers.

Investment management

Because serious injuries will require ongoing expenditure for decades into the future, a portion of levies collected each year is set aside to provide for future costs. We invest these funds to meet the future costs of these claims.

In managing our investments, we seek to maximise investment returns over the long term while minimising unexpected mismatches between investment income and growth in the claims liability.

Claims management

ACC delivers and commissions effective, high-quality services so that people covered by the Scheme receive the help and compensation to which they are entitled, so they can make timely returns to work, independence, or everyday life.

Organisational excellence

Organisational excellence reflects the organisational health and capability intentions (for our people and our information and systems) that underpin our work to support a thriving Aotearoa New Zealand.

Strategic goals

Huakina Te Rā has three dual-framed strategic goals that we aim to achieve over the long term (10 years). Reflecting the waka hourua approach and our commitment to Te Tiriti o Waitangi/The Treaty of Waitangi, these dual goals are framed from both tangata whenua and tangata Tiriti worldviews. The goals are not translations of each other, but complementary dual responses, and need to be achieved together for us to be successful.

Mana Taurite | Equity is our dual-framed goal for all people in Aotearoa New Zealand to experience accessible services and improved outcomes.

Ringa Atawhai | Guardianship is our dual-framed goal for the Scheme to be sustainable for present and future generations.

Oranga Whānau | Safe and Resilient Communities is our dual-framed goal to partner and invest to help create safer and more resilient communities.

Strategic intentions

Our strategic intentions are the reflection of our dual-framed strategic goals and outcomes for the period of the Statement of Intent 2023-2027.

The previous page outlines how various elements of our strategic framework relate to each other. They include our vision, outcomes, goals, strategic intentions and outputs.

Measuring our performance

High-quality performance information that directly demonstrates progress towards our dual strategic goals and outcomes is vital to our success. Robust reporting on our progress supports the transparency and accountability of the organisation while demonstrating our value to Aotearoa New Zealand.

Huakina Te Rā requires a new measurement approach to demonstrate how we will know we are on track towards the delivery of our new strategy.

For each of our intentions we have identified medium-term result areas to know if we are on track. These medium-term result areas reflect the measurable performance improvements we aim to achieve against our outcomes for tangata whenua and tangata Tiriti.

To allow for continual improvement, and to ensure the measures assess our performance and address any identified data gaps, we progressively update the performance measures we use organisationally and in our accountability documents. In 2023/24 we had three measures that do not have established performance targets. We have termed these bridging measures. These metrics give initial visibility on key areas relevant to new strategic goals. As data accumulates, we will be able to set evidence-based performance targets for each measure or identify new measures to provide the critical indications of progress.

Our performance measures cover our strategic intentions and have been developed in consideration of Te Kāpehu Whetū, our Māori Outcomes Framework. Te Kāpehu Whetū prioritises Te Ao Māori, mātauranga Māori and kaupapa Māori. It aims to ensure the voices of whānau are heard and their needs, goals and preferences are respected and fulfilled.

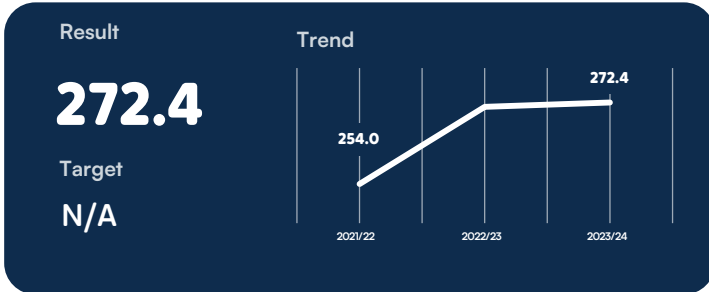


Ngā whakatutukinga
Performance



Mana Taurite | Equity

Claim lodgement rate for Māori Number of claims per 1,000 population



250,000

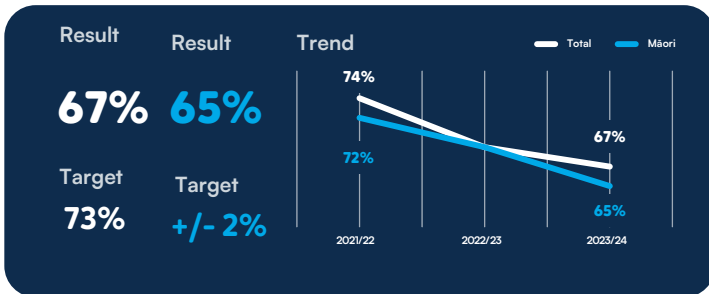
claims were accepted for clients who identify as Māori

Our ambition is for greater primary prevention coupled with full and timely access for all people.

Status

Bridging Measure

Overall Client Satisfaction (Difference between Total and Māori)



61%

of clients surveyed indicated they believed we focused on getting the best possible outcome for them in their situation.

If we get their experiences and outcomes right, our clients will have confidence in our ability to support their returns to independence.

Status (Total)

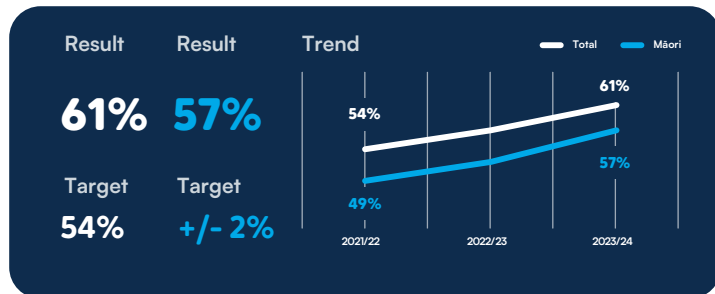
Not Achieved

Status (Māori)

Achieved

Ringa Atawhai | Guardianship

Public Trust and Confidence (Difference between Total and Māori)



Status (Total)
Achieved

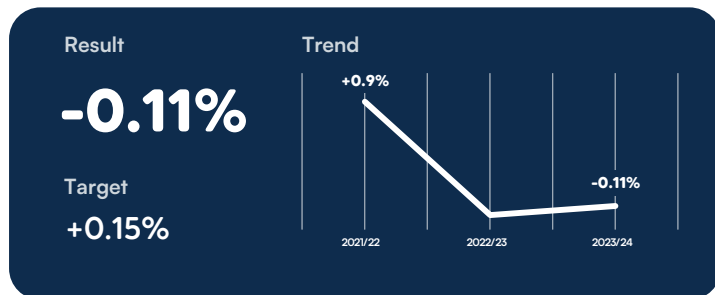
Status (Māori)
Not Achieved

75%

of people surveyed indicated they have a good understanding what ACC does and its services.

The way the public views ACC is a useful indicator of how effectively we have communicated the value that ACC delivers, and demonstrated this in our interactions with customers.

Investments performance after costs relative to benchmarks



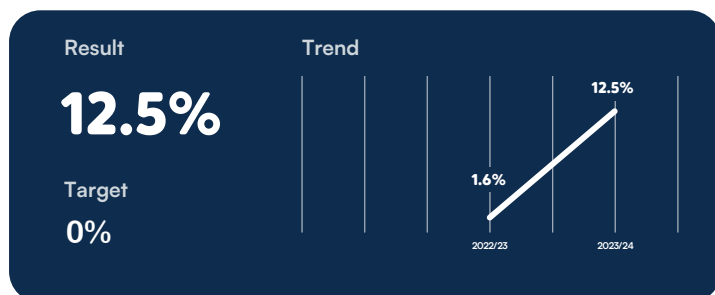
Status
Not Achieved

\$1,692

value of \$100 invested since 1992

The quality of our investment management is an important factor in ensuring that we will have sufficient resources in the future, safeguarding the Scheme for future generations.

New year costs movement excluding legislation and policy changes



Status
Not Achieved

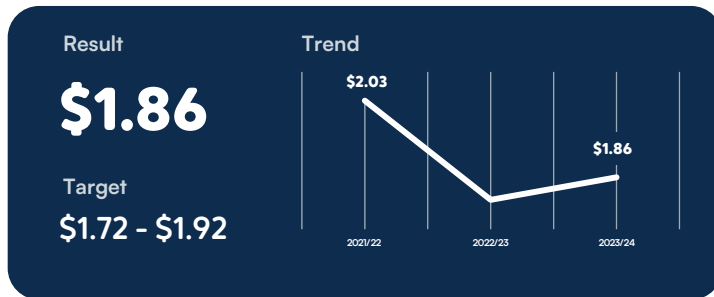
Influenceable new year claims costs increased by

\$995m

By effectively managing the controllable costs of the Scheme, the long-term sustainability of the Scheme is enhanced.

Oranga Whānau | Safe and Resilient communities

Injury prevention return on investment

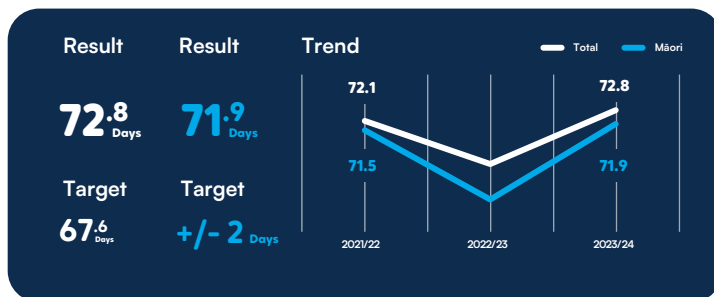


Status: **Achieved**

11,600
fewer people made a claim for their injury as a result of our targeted injury prevention investments

Effective investment in injury prevention strengthens whānau and community safety and resilience. We invest to keep New Zealanders safe from accidental injury by working with others to reduce the risks in a range of areas.

Average weekly compensation days paid (Difference between Total and Māori) (<1 year)

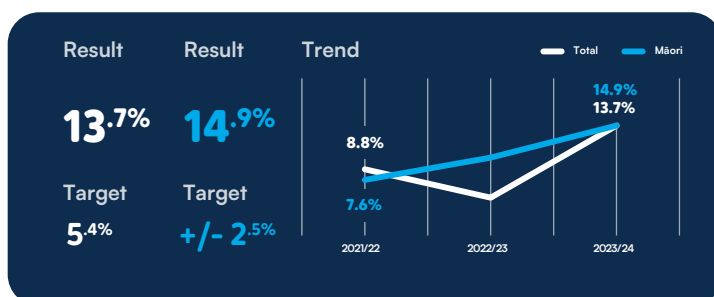


Status (Total): **Not Achieved**
Status (Māori): **Achieved**

61,900
people were supported to return to work following an injury within ten weeks

Research confirms that when people make rapid returns to independence after injury their overall health and wellbeing is significantly improved.

Growth in the long-term claims pool (Difference between Total and Māori)



Status (Total): **Not Achieved**
Status (Māori): **Achieved**

6,608
long-term clients supported to return to independence

Minimising the incidence and impacts of injury is a primary responsibility for ACC and is central to building safe and resilient communities. Low growth of long-term claims is an indication of the effectiveness of injury prevention and rehabilitation.

Mana Taurite | Equity

Mana Taurite | Equity is our dual-framed goal for all people in Aotearoa New Zealand to experience accessible services and improved outcomes. ACC has a responsibility to ensure that people can access the Scheme, receive the treatment and support they are entitled to, and experience equitable outcomes from that support.

Achieving Mana Taurite for tangata whenua means improving equity of access, service experience and outcomes for Māori, while ensuring the mana of the recipient is upheld in the process. Delivering equity for tangata Tiriti means helping people get the support they need, when they need it, to recover from injuries. We will achieve this by focusing on groups that face barriers to access, support and equitable outcomes.

Our performance ambitions

This year we achieved the following performance ambitions:

Client satisfaction (Māori)	65%
	(-2%)

Performance improved over the year

Claim lodgement rate for Māori	272.4
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There were challenges to delivering this ambition in 2023/24:

Overall client satisfaction (total)	67%
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Highlights this year

Our strategy Huakina Te Rā required a new measurement approach to demonstrate how we will know we are on track towards its delivery. Vital to our success is building an evidence base to understand the actions we should take to remedy unjust, unfair and avoidable disparities for Māori and other identified population groups.

Te Kāpehu Whetū

Our performance measures cover our strategic intentions and have been developed in consideration of Te Kāpehu Whetū, our Māori Outcomes Framework. Te Kāpehu Whetū prioritises Te Ao Māori, mātauranga Māori and kaupapa Māori. It aims to ensure the voices of whānau are heard and their needs, goals and preferences are respected and fulfilled. This year we developed a measure set, including outcome measures for Māori, which aligns with Te Kāpehu Whetū to understand potential disparities in outcomes.

Reporting on access to the Scheme

We have been working to meet the requirements of the Accident Compensation (Access Reporting and Other Matters) Amendment Act 2023. This is to further increase our understanding of access, including disparities, and the causes of barriers to access for Māori and identified population groups.

Public consultation was completed during the fourth quarter on our requirement to report annually on levels of access to the Accident Compensation Scheme by Māori and other identified population groups: Pacific People, Asian peoples and disabled people. The first Access Report is being developed and will be published as a standalone report. The first report will include information on levels of, and disparities in, access. Over the coming years, the report will evolve to also explore barriers to access and causes of the barriers and disparities for injured people. The information collected for the access reporting will be used to address identified barriers to access so we can invest in access-related interventions.

Mana Taurite | Equity Action Plan

This year we developed a Mana Taurite | Equity Action Plan focused on four areas: building connections with partners to embed system changes; commissioning targeted interventions to respond to equity barriers; embedding a Mana Taurite | Equity lens across ACC's priority work; and developing an evidence-based impact narrative. The Action Plan will consolidate our evidence base of equity research, embed outcome measures into ACC's reporting frameworks, and strengthen the robustness of our data.

Kaupapa Māori solutions

Kaupapa Māori solutions are a major initiative to help remove barriers for Māori accessing ACC. These are co-designed regional solutions that ensure whānau can choose injury prevention, hauora (health) and rehabilitation services that feel right for them. Partnership with Māori providers is ongoing in the development of regionalised solutions. There is a planned phased approach, region by region. The first phase with te waka rohe o Tainui commenced testing in early 2023. Phase two is in the final stages of design in Te Tai Tokerau (Northland) and Tāmaki Makaurau (Auckland). We have started socialising kaupapa Māori solutions in the phase three rohe (Mātaatua and Te Arawa). We have also begun engagement in further rohe (Te Whanganui-ā-Tara, Te Waipounamu excluding Te Tau Ihu) to understand where ACC can enhance existing services.

Kaupapa Māori Navigation Service

Our Kaupapa Māori Navigation Service aims to improve the experiences of Māori and their whānau when they access our services and support. The new service was launched in July 2023 across the upper North Island. The Service is an extension of our existing navigation service, which provides free and independent advice through the claims process and helps clients connect to appropriate support within ACC.

The service has been introduced to provide advice in a culturally appropriate way for clients through an easily accessible, independent Māori provider. We are currently beginning the second stage of the rollout for the remainder of the country.

Evolving support for sexual violence survivors

To evolve our services to achieve high-quality outcomes for clients with sensitive claims, we have developed a new Sensitive Claims Service contract that

begins on 1 December 2024. The new contract was developed with extensive consultation with providers, suppliers, survivors and the broader sexual violence sector to improve how we provide support to survivors of sexual violence.

We have made some key changes in this service to improve access, outcomes and experience for clients. These include streamlining the assessment process, with two assessment pathways based on need, so clients do not have to re-tell their story and can access treatment quicker. The holistic model allows clients to work with their lead service provider to create a recovery plan that best meets their needs. We are also increasing the support clients can access after achieving their recovery goals, so they can maintain their progress.

Rongoā

Rongoā Māori Service is a tikanga-aligned service for ACC clients. In 2023/24, more than 6,700 clients accessed rongoā Māori services. Our data shows 58% of clients accessing rongoā Māori are Māori. One in three clients accessing rongoā Māori have a sensitive claim with ACC.

In May 2024, the inaugural Rongoā Māori Conference was held in Rotorua with our support. Over 400 participants came together to celebrate traditional Māori healing, including rongoā Māori practitioners, health providers, clinicians, researchers, other health sector professionals, speakers, exhibitors, mana whenua and ACC staff.

The goal of the conference was to increase awareness of rongoā Māori and encourage collaboration between health professionals for the benefit of clients and whānau. Through this, we aimed to support a deeper understanding of how rongoā Māori can support clients, build relationships between clinicians and rongoā practitioners, and help ACC to improve access, experience and outcomes for clients.

Offering rongoā as a rehabilitation service is part of our continuing efforts to deliver equity for Māori. It provides Māori, and all New Zealanders, with more choice in their recovery options.

Hāpai

Hāpai is a culturally responsive case management experience for Māori clients and their whānau. Using a Te Ao Māori approach to rehabilitation, Hāpai aims to improve the experience and outcomes of Māori clients. Hāpai is a unique, culturally responsive partnership between clients, whānau, and kaihāpai, focused on improving access, experience, and outcomes that support their journey to oranga.

It is a reciprocal partnership that is grounded in tika, aroha, and pono and seeks to restore mauri, provide manaaki and enhance the mana of whānau.

Hāpai is currently offered to physical injury clients in our Supported Recovery and Partnered Recovery Teams. Kaihāpai are delivering services to Māori clients across the country. Looking to 2024/25, we will be supporting growth in the service to ensure even more Māori clients have the option of an experience-based case management service grounded in tikanga.

In 2023/24, we focused shared actions on three Mana Taurite | Equity priorities. Our progress on the deliverables planned against the priorities is detailed below.

Table 1: 2023/24 Mana Taurite | Equity achievements

What we set out to achieve	Result
1 To remedy unjust, unfair and avoidable disparities for Māori and other priority population groups, we will build an evidence base to understand the actions we should take and to measure improvement.	
We will be developing a suite of dynamic decision models based on data and evidence to recommend the optimal levels of support for clients during their recovery journeys.	Not achieved
We will have increased understanding of Te Kāpehu Whetū and any new equity measures, including how to implement and measure them.	Ongoing
We will be working to ensure we meet the requirements of the Accident Compensation (Access Reporting and Other Matters) Amendment Bill 2023.	Ongoing
We will be continuing to optimise our people, processes and systems to support injury prevention. We will be leading a shift towards a customer-centric perspective where an emphasis on wellbeing is recognised as the platform for injury prevention.	Ongoing
2 To deliver improved outcomes for Māori and other priority population groups, we will identify and respond to barriers to access and positive service experiences.	
We will have implemented regionalised recovery and prevention kaupapa Māori solutions for kiritaki (clients) with complex claims or a high levels of need in six rohe.	Ongoing
We will be continuing to improve service delivery efficiency by offering an enhanced provider user experience and more self-service options.	Ongoing
We will have written an evolved contract to achieve high-quality outcomes for clients with sensitive claims, ready for procurement and to go live in 2024/25.	Ongoing
We will be identifying barriers to accessing the Scheme, equity rights for Māori, and equity needs for priority populations to inform an equity approach and action plan.	Ongoing
We will be designing an operating model through a Te Tiriti and equity lens to inform frameworks and tools to support embedding Te Tiriti and equity of access across ACC.	Achieved
3 To reduce disparities in access, service experience and outcomes for Māori and other priority population groups, we will actively participate in meaningful partnerships with hapū, iwi and communities.	
We will be improving the experience and outcomes of Māori clients using Hāpai case management, a Te Ao Māori approach to rehabilitation.	Ongoing

Ringa Atawhai | Guardianship

Ringa Atawhai | Guardianship is our dual-framed goal to ensure the Scheme remains sustainable for future generations. We are trusted stewards, looking after the Scheme for Aotearoa New Zealand so we can support present and future generations.

To ensure the longevity of the Scheme we need to be considerate of environmental, social and financial sustainability. We consider these themes in the way we operate internally, how we design, commission and deliver our services to clients, and how we manage our investments and claims liabilities. For tangata whenua, our Ringa Atawhai goal means we are trusted partners with Māori working to improve outcomes. Ringa Atawhai is a focus on the actions we will take to actively care for, foster and nurture partnerships with Māori to support our role in maintaining a sustainable Scheme for our mokopuna. Our goal of guardianship for tangata Tiriti means we are valued kaiāwhina (helpers) of the people we serve now, and trusted stewards for future generations to come.

Guardianship means ensuring the sustainability of the Scheme and maintaining the trust and support of the people we serve by fulfilling our role as kaiāwhina

Information on our financial performance can be found on page 49.

Our performance ambitions

This year we achieved the following performance ambitions:

Public trust and confidence (total)	61%
Business customer satisfaction	59%
Percentage of total expenditure paid directly to clients or for services to clients	89.6%

Real performance improved in the year but there were challenges to comparative performance:

Investments performance after costs relative to benchmarks	-0.11%
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There were challenges to delivering these ambitions in 2023/24:

Public trust and confidence (Māori)	57% (-4%)
Health provider satisfaction	55%
New year costs movement excluding legislation and policy changes	12.5%

Highlights this year

Home and community support services

We launched two new home and community support services this year. The new Return to Independence and Maximise Independence services replaced the previous integrated home and community service offerings. The new services provide injured people with greater choice and control over home and community support, providing specialised supports for those with life-changing injury impacts. This has increased the number of suppliers and is providing more choice and flexibility to clients. This includes offering specialist services such as kaupapa Māori health.

Health commissioning review

This year we completed a review of our commissioning model for health and rehabilitation services, to support a focus on value-for-money and improved client outcomes. This review benchmarked components of our health commissioning spend (over \$3 billion per annum) to international comparators, reviewed our existing procurement practices and considered whether our value-based healthcare approach could be more broadly applied in our environment. Findings from the review will be used to develop improvements to our health services procurement.

Some short to mid-term interventions have begun. These form part of a 3-year Investment Plan specifically designed to improve rehabilitation outcomes for injured people. Initially, we are focusing on strengthening our strategic procurement and cost management in High Tech Imaging, Elective Surgery Services and Residential Support Services. This includes ensuring we have the right tools and processes in place to support these services.

Accredited Employer Programme

The new framework for ACC's Accredited Employer Programme has been finalised and gazetted. This enables changes to be made to the programme from 1 April 2025. The improvements to the programme will modernise health and safety assessment requirements and improve claims and injury management, removing unnecessary compliance and increasing flexibility. It will also enable better outcomes by: introducing a more proactive monitoring model; enhancing the ability to lift performance; and introducing additional flexibility for Accredited Employer Programme pricing options.

Following public consultation, the changes were agreed to by Cabinet in July 2023. Since then, we have been working with Accredited Employers and other stakeholders to develop the details of all the various changes. During the levy year 2024-2025, Accredited Employers will have time to prepare and make any changes needed to start meeting the new framework requirements the following year.

Help enable New Zealand to achieve its environmental goals

By maintaining our commitment to climate change action we will help enable New Zealand to achieve its environmental goals, including the net-zero emissions target, and achieve carbon neutrality.

Through our climate change actions we aim to reduce our corporate emissions by 21% by 2025 and 42%

by 2030. We also aim to reduce the carbon intensity of our global equity investment portfolio 60% by 2025 and 65% by 2030. These reduction targets are compared to 2019 levels.

This year, we have reduced our corporate-related carbon emissions (scopes 1, 2, and 3) by 42% as at 30 June 2024 from our 2018/19 baseline and expect to meet our 2025 and 2030 reduction targets. We also reduced our portfolio carbon intensity by 62% as at 30 June 2024 compared to the 2018/19 baseline.

For more information on our climate responsibilities, please refer to our Climate Report, found here www.acc.co.nz/about-us/corporate

In 2023/24, we focused shared actions on three Ringa Atawhai | Guardianship priorities. Our progress on the deliverables planned against the priorities is detailed below.

Table 2: 2023/24 Ringa Atawhai | Guardianship achievements

What we set out to achieve	Result
<p>4 To focus on the relationships that really matter, we will include diverse voices and use technology, data and insights to free up our time and that of our partners.</p>	
<p>We will have improved efficiency for businesses by increasing the scope and usage of self-service, streamlining our systems and ensuring seamless levy experiences.</p>	Ongoing
<p>We will have integrated provider information with the customer view to improve our guardianship of Health Partnership Contracts and provide a high-quality, equitable customer experience across multiple service channels.</p>	Ongoing
<p>5 To deliver on a financially viable and equitable Scheme, we will partner with Māori.</p>	
<p>We will be developing meaningful partnerships with Māori and equity partners, community providers and across government.</p>	Ongoing
<p>We will be promoting a collective effort and shared responsibility with Māori to sustain the Scheme.</p>	Ongoing
<p>We will be embedding Te Tiriti o Waitangi/The Treaty of Waitangi partnership framing in governance, decision-making, co-design and delivery.</p>	Ongoing

What we set out to achieve	Result
We will have increased knowledge of equitable funding formulas and distribution of resources, to inform an equity investment plan.	Ongoing
6 To avoid imposing a burden on future levy payers (including the Government), we will seek to ensure the financial sustainability of the Scheme while also ensuring we continue to provide high-quality services.	
We will be increasing the value delivered through treatment and rehabilitation services by investing in high-value services, reducing re-injury rates, and improving outcomes.	Ongoing
The redeveloped Accredited Employer Programme framework will be agreed, and accreditation requirements and performance monitoring measures finalised.	Ongoing
7 To enable Aotearoa New Zealand to achieve its environmental goals, including the net-zero emissions target, and achieve carbon neutrality, we will maintain our commitment to climate change action.	
We will be continuing to deliver on our public commitment to Aotearoa New Zealand's environmental goals.	Ongoing
We will be tracking and reporting on our progress in reducing carbon emissions.	Ongoing

Oranga Whānau | Safe and Resilient Communities

Oranga Whānau | Safe and Resilient Communities is our dual-framed goal to partner and invest to help create safer and more resilient communities.

Oranga Whānau is a strength-based, Māori worldview approach to protecting our mokopuna and to building resilience. It is guided by our ambition for greater primary prevention and a kaupapa Māori approach to designing prevention solutions. Safe and Resilient Communities will strengthen safety and resilience by partnering and investing where it counts, with a continual focus on preventing and mitigating the impacts of injury.

Our performance ambitions

This year we achieved the following performance ambitions:

Return to independence for those not in the workforce (Māori)	76.3% (-2.9%)
Average weekly compensation days (<1 year) (Māori)	71.9 days (-0.8 days)
Growth in the Long-Term Claims Pool (Māori)	14.9% (+1.2%)
Injury prevention return on investment	\$1.86:\$1

There were challenges to delivering these ambitions in 2023/24:

ACC listened to and understood whānau	69%
Return to independence for those not in the workforce (Total)	79.2%
Average weekly compensation days (<1 year) (total)	72.8 days
Growth of the Long-Term Claims Pool (total)	13.7%
Sustained return to work rate	66%

Highlights this year

By focusing on intervening early to reduce harm, whānau and community resilience will be built. Our injury prevention initiatives aim to minimise the incidence and severity of personal injury to reduce the economic, social and personal impacts on people and communities. In doing this, we must also achieve a cost-effective reduction in levy rates or government funding.

In 2023/24, we invested \$80 million in injury prevention. Each year our injury prevention investments continue to support programmes that deliver injury prevention results. These include RugbySmart, NetballSmart, Farmstrong, Ride Forever and Live Stronger for Longer. For every dollar invested in our injury prevention investments the return is \$1.86.

Nymbi

Following the launch of Nymbi in 2022/23, more than 33,000 older adults across the country have downloaded the app. Nymbi is a training app designed to help older adults test, maintain and improve their balance. It combines simple body movements with easy brain games, like trivia, to challenge both the brain and body and is scaled depending on a person's abilities. The dual-tasking approach is scientifically proven to improve balance faster than just physical forms of exercise alone. Falls are the most common cause of injury in New Zealand, accounting for 39% of all ACC claims. Preventing falls is important as these injuries can result in a loss of independence, social isolation and loneliness which further increases the risk of falls and fall injuries.

CHASNZ

Construction Health and Safety New Zealand (CHASNZ), a charitable trust, was formed in 2018 to improve the lives of construction workers by raising health and safety standards across the industry. Injury and fatality rates have been consistently high over the past decade making construction sites among the deadliest workplaces in New Zealand. This is the key reason we entered a partnership with CHASNZ in 2020. CHASNZ recently received international recognition for one of its focus programmes: the 'Work Should Not Hurt Programme'. The initiative is an ergonomics programme to improve the prevention and management of musculoskeletal injuries.

‘Have a hmmm’

Our ‘Have a hmmm’ programme challenges all New Zealanders to stop and take a moment to assess the risks before embarking on an activity. By taking a moment to think, injuries can be avoided. This year we launched a new phase in the programme. This phase encourages New Zealanders to think about how their own injury can cause flow-on effects for workmates and their community. It also encourages people to speak up if they see the potential for harm before it happens.

Our research shows that ‘Have a hmmm’ is having a measurable impact on changing public behaviours around risk. More New Zealanders report they are taking steps to prevent injuries to themselves and to others since April 2021. Changing public behaviours around risk will help us to offset some of the costs of injuries and allow people to keep doing the things they enjoy, free from injury.

Supporting sexual violence prevention

We are the lead agency for several actions under Te Aorerekura, Aotearoa’s first National Strategy and Action Plan to Eliminate Family Violence and Sexual Violence. Te Aorerekura outlines what is needed to achieve safe, inclusive communities across the country. Key to this is our partnership with Te Taumata o Ngā Kaitiaki Mauri, enabling the kaupapa Māori sexual violence sector to work with their communities to self-determine effective and sustainable sexual violence prevention.

Refreshed strategic approach for injury prevention

Aligned with our strategy Huakina Te Rā, we have been designing a refreshed strategic approach to our injury prevention activities. The approach covers a 9-year period and supports decisions about where we will focus our effort and how we will deliver injury prevention. The approach will mean we use our injury prevention investment in a targeted manner, employing a broader range of delivery levers — from direct investment to advocacy and delivery through partners — and building our capability to effectively deliver this work.

Improving rehabilitation performance

Our effectiveness in managing rehabilitation performance is driven by the capacity and capability of our workforce, timely and effective case management activities, and the number and composition of claims being managed. Rehabilitation performance has been deteriorating over several years and we know we need to improve to ensure the best outcomes for injured people.

Throughout 2023, we progressed substantive exploratory work to deepen our understanding of our current rehabilitation system and identify opportunities for improvement.

The Rehabilitation Improvement Group worked with representative groups from our provider community, our customer panels and our people who are close to the day-to-day work with our clients to build an understanding of the drivers of performance and the most effective available interventions.

Some interventions identified by the Group were implemented in 2023/24. We made changes to address demand in our contact centres. By enabling Customer Experience Representatives to complete abatement, taxi and purchase order amendments themselves, rather than transferring these tasks to other teams, we increased capacity across the system. This led to notable improvements in speed to answer calls and in the abandonment rates. Other changes made to our weekly compensation process allowed better management of demand, and meant the average timeliness of first weekly compensation payment improved.

Sustained high demand for ACC services, coupled with workforce challenges and systemic capacity shortages, has resulted in our case management system becoming overloaded. This impacts our ability to proactively support clients, leading to poor rehabilitation outcomes and financial pressure on the Scheme.

Another key short-term intervention identified through the Group was a shift to how we manage client relationships in Assisted Recovery. The Assisted Recovery team is available for clients who need some support to manage their recovery, and team members will check on progress at key milestones. Based on insights from the Group we shifted our approach to Recovery Assistants managing a caseload of clients with a one-to-one relationship instead of the many-to-many task-based approach. Focusing on supporting injured people earlier in their rehabilitation journey is critical. The transition to this way of working is now largely complete and we are monitoring performance against baselines to ensure we are supporting clients to achieve rehabilitation outcomes while improving their customer experience.

We are also establishing a new Integrated Recovery team to provide dedicated support for clients who have been out of work for extended periods and have the potential to achieve a positive rehabilitation outcome. Establishing the new Integrated Recovery team is the primary focus initially and recruitment of additional resource to support this work started in May 2024.

Integrated Care pathways – Musculoskeletal

Our integrated care pathways model supports injured people by wrapping a team of health professionals around them to optimise and coordinate the treatment that best meets their recovery needs. Integrated Care Pathways — Musculoskeletal (ICP-MSK) was launched in March 2024. From the pilot we learnt that clients who completed the pathway experienced improved health outcomes, higher levels of satisfaction, improved timeliness to surgery and reductions in re-injuries.

ICP-MSK is a provider-led approach to managing clients with shoulder, back and knee injuries. These are injuries likely to require specialist interdisciplinary treatment to achieve a return to work or return to independence.

In 2023/24, the number of injured people accessing ICP-MSK tracked well ahead of projections. More than 3,000 injured people from across the country have accessed the service. We expect the volume of injured people accessing the service to continue to increase. As more people progress through the pathways, we expect improvements in health and rehabilitation outcomes. ICP-MSK is the first standardised integrated care pathway service delivery model we have introduced.

In 2023/24, we focused shared actions on three Oranga Whānau | Safe and Resilient Communities priorities. Our progress on the deliverables planned against the priorities is detailed below.

Table 3: 2023/24 Oranga Whānau | Safe and Resilient Communities achievements

What we set out to achieve	Result
<p>8 To build whānau and community resilience, we will focus on intervening early before and after injury to reduce harm.</p>	
<p>We will have improved employers' ability to engage in the recovery of injured workers by supporting them to access injury- and recovery-related information and enabling businesses to take the right action at key rehabilitation points.</p>	Achieved
<p>We will have increased protective factors for individuals and communities at risk through our work in the wider system, including contributing to improvements in family violence primary prevention systems, and the evolution of our grants and subsidies programme.</p>	Ongoing
<p>We will be targeting the social and environmental conditions that contribute to the occurrence of harmful events through a number of initiatives focused on preventing maternal birth injuries, preventing family and sexual violence, increasing young driver safety, and the Preventable campaign.</p>	Ongoing

Table 3: 2023/24 Oranga Whānau | Safe and Resilient Communities achievements

What we set out to achieve	Result
<p>9 To contribute to whānau and community wellbeing, we will partner to deliver services that meet the needs of the people we serve and their communities.</p>	
<p>We will be continuing to increase protective factors for individuals and communities at risk, of harm with the aim of preventing accidents from causing harm. This will include growing our partnerships with hapū, iwi, and hāpori for prevention-related mahi.</p>	Ongoing
<p>We will provide safe, effective, modern, flexible, and inviting buildings for our customers and our people across Aotearoa New Zealand. This will include the development, in partnership with Ngāi Tahu, of a new building in Dunedin for 2025.</p>	Ongoing
<p>We will be matching clients to people within our teams and partner networks with the right skill sets for their specific needs, leading to improvements in timely service activation and increases in durable rehabilitation outcomes.</p>	Ongoing
<p>We will have improved our digital onboarding for clients to enable an improved self-service experience.</p>	Not Achieved
<p>We will be developing a self-service recovery check-in functionality for ACC clients, enabling them to self-report the necessary information at the appropriate times to ensure that they receive the right levels of support for their injuries.</p>	Not Achieved
<p>10 To support whānau and get people back to work and life, we will work with the broader health and disability system.</p>	
<p>We will have implemented integrated care pathways for musculoskeletal clients to improve client outcomes.</p>	Achieved

Organisational Excellence – Our people

Our strategy Huakina Te Rā sets a new vision for a thriving Aotearoa New Zealand and further develops our purpose to improve lives every day through a focus on prevention, care and recovery for all people who are affected by injury. To achieve this, we need a thriving workforce; for our customers to have great experiences, we need our people to have great experiences.

Our performance ambitions

There were challenges to delivering these ambitions in 2023/24:

Employee engagement	No Result
Total recordable injury frequency rate	6.0
Lost-time injury frequency rate	2.9

Highlights this year

In 2023/24, we consulted on changes to ACC's structure to enable a focus on doing fewer things, better, for greater impact. As a result, formal structure change decisions were made in June 2024. To allow our people the time and space to focus on this organisational change proposal, we postponed the 2024 employee engagement survey until quarter two 2024/25. This means we do not have a result for 2023/24.

Developing our workforce and unlocking the potential of our people

To enable our people to bring Huakina Te Rā to life, we need to unlock their potential and attract and retain talent with the right mix of capabilities. Our strategic approach to developing our people is being implemented through five pillars; workforce equity, organisational capability, culture, work design and enablers.

Our Activating Leadership work programme commenced in February 2024 and is a call to action for leaders across ACC to work together towards the ambitions of Huakina Te Rā, and support achieving our four strategic priorities, particularly improving rehabilitation performance. The programme aims to enhance leadership alignment through the creation of connected leadership cohorts, regular engagement on priorities and performance expectations, and is underpinned by targeted development and support opportunities.

As part of our action plan to improve gender pay gaps, in 2023/24, we made changes to remuneration for our people who self-identified as female (or who have self-declared their gender as 'Other') who were currently paid less than the median for males doing the same role, for a similar length of time. These changes were aimed at addressing issues of fairness and narrowing gender pay gaps in addition to better recognising experience and capability.

Wellbeing, Health and Safety

We continued to prioritise the wellbeing, health and safety of our people across the organisation. Our strategic approach to wellbeing, health and safety includes four focus areas; people, work, relationships and environment.

While incidents continue to be well managed, injuries remain higher than our target rates and have shown a consistent rise over the year. Almost all of our injuries result from ergonomics and office-based tasks. We continue to work to understand the drivers of this increase and to provide training to our staff. This training includes an online training course on ergonomics and working in comfort, which has a 95% completion rate by staff.

Creating a culturally safe work environment

Our Māori Cultural Capability Strategic Roadmap ensures we embrace and reflect Te Tiriti o Waitangi/Treaty of Waitangi partnership obligations and our waka hourua approach. It also ensures that our people are supported effectively, and are developing their competency to ensure we can deliver to our Māori communities.

This is highlighted through activities such as the development of the competency framework Te Pae Moana, the learning from the Ngā Pae Arahi Leadership programme, and the Māori leadership programme Te Hihiri.

Te Hihiri is our Māori Leadership programme. This year we welcomed the fourth cohort of our aspiring Māori leaders. The programme continues to foster future leaders with a focus on increasing the number of kaimahi Māori in leadership positions.

We remain committed to accessibility and disability inclusion and continue to hold the Accessibility Tick.

Employee Networks

Our networks are a forum for our employees to connect with and support each other. They help us build an inclusive organisation that embraces all areas of diversity. ACC supports the networks to be safe and supportive places where people thrive — celebrating our differences and our diverse cultures. These groups continue to make positive contributions that help lead us towards being a more inclusive organisation.

Te Whānau Uenuku ki | Pride@ACC

To ensure LGBTQIA+ people are safe, visible and valued at ACC. *Approx. 100 members*

Te Whānau āhei ki | Ability@ACC

To ensure disabled people are safe, included and valued, personally and professionally at ACC. *Approx. 50 members*

Te Tira Mārama | Cross-Cultural Network

To ensure people and their cultures are recognised, respected and celebrated at ACC. *Approx. 100 members*

Wairua o te Hinengaro | The Mind Network

To ensure people impacted by mental health complexities and neurodiversity are supported, enabled and celebrated at ACC through education and advocacy. *Approx. 170 members*

Te Aka Wāhine | ACC Women's Network

To support the development, advancement and engagement of a gender-balanced workforce, encourage equality for all and enable women to achieve their personal and professional goals. *Approx. 450 members*

Moana Pasifika | Moana Pasifika Network

The purpose of our Moana Pasifika Network will be to provide a safe and encouraging space for Pasifika ACC employees to connect, communicate, and celebrate our unique and diverse contribution to the organisation. *Approx. 190 members*

Te Kōtuitui Tāngata | Kaimahi Māori Network

To foster a mana-enhancing environment and advocate for the Māori voice. We will honour our ancestors by strengthening our collective Māori identity through whanaungatanga because we want to better serve our whānau, hapū and iwi. We are proud to be Māori. *Approx. 240 members*

Papa Pounamu

Papa Pounamu was established in 2017, to bring together diversity and inclusion practices across the public service and to support Chief Executives to meet their diversity and inclusion obligations and goals. The Papa Pounamu work programme has five priority areas of focus. The following table shows how we are delivering these priorities across ACC.

Priority Area 1: Cultural competence	<ul style="list-style-type: none"> We have refreshed our Māori Cultural Capability Roadmap to align with the strategic goals and outcomes outlined in ACC's new strategy, Huakina Te Rā.
Priority Area 2: Addressing bias	<ul style="list-style-type: none"> Our rongoā Māori service for employees enables access to Māori health providers and healing from July 2022. This is alongside the Employee Assistance Programme (EAP). An Accessibility Hub, developed for our intranet, provides information and resources for disabled staff or those needing accommodations. We finalised the development of and released guidelines for employees who are transitioning gender and for managing menopause in the workplace .
Priority Area 3: Inclusive leadership	<ul style="list-style-type: none"> Te Hihiri, our kaupapa Māori leadership programme for kaimahi Māori, will continue to support more Māori into leadership roles within ACC. Diversity and equity were actively considered when appointing newly created leadership roles in People and Culture this year.
Priority Area 4: Building relationships	<ul style="list-style-type: none"> We have streamlined, through the Accessibility Toolkit, how our people access equipment and other supports to enable them to be successful at work. We are providing free period products in bathrooms at several sites. The impacts will be measured as we consider expanding beyond the trial sites.
Priority Area 5: Employee-led networks	<ul style="list-style-type: none"> We have seven employee-led networks, all with an Executive sponsor.

Good employer activities

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

Leadership, accountability and culture

- Organisational values and behaviours are reinforced through our induction and leader-led conversations to support ACC's culture.
- Regular Engagement Surveys provide leaders with feedback from their people on their team or organisational effectiveness.
- Talent management processes to review leadership effectiveness and identify opportunities to develop further capability and increase diversity in leadership.
- Performance Development Cycle enables the setting of clear objectives for all employees each year, with regular feedback on progress. This was reviewed during the year to further improve effectiveness.

Recruitment, selection and induction

- Robust recruitment and selection processes are in place to attract capable applicants and to ensure consistent decision-making.
- Recruitment processes adapted during COVID-19 restrictions continue to enable ACC to genuinely deliver on their hybrid working arrangements and to extend our talent pool outside of the main centres.
- Use of broad assessment and selection tools to encourage and support diversity in age, ethnicity, gender, and disability.
- Partnerships to support the recruitment of Māori and people with disabilities, including an internship programme.
- Diversity statement on our careers website and in job advertisements.
- Effective on-boarding through standardised e-learning material and leader toolkit.

Employee development, promotion, and exit

- Performance development and remuneration framework in place with tools and resources to support employees and leaders.
- Opportunities for our people to gain graduate or postgraduate qualifications through ACC sponsorship, with a focus on support for disadvantaged groups.
- Comprehensive range of learning and development 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. Courses and topics are updated as per the learning needs of our people.
- Accessibility guidelines in place with our Learning Team to ensure employee development programmes are accessible to all employees.
- 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

- Hybrid working is embedded in the organisation. This includes the establishment of up to three days of remote working for employees, depending on role and a range of hybrid working supports for our people and leaders.
- We have ensured that hybrid working has been designed to create flexibility for our people, while also maintaining ACC services, including front of house for people to come to a site.
- We retain a 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, the Association of Salaried Medical Specialists, and Allied Scientific and Technical.
- Monitoring gender and ethnic pay equity and ensuring equity within pay bands.

Harassment and bullying prevention

- Employee Code of Conduct and relevant policies available at all times.
- We actively seek and encourage employee feedback and participation in all equal employment opportunity (EEO)-related matters, particularly as part of collective bargaining.
- A communication campaign was run to remind people of the various ways to raise concerns.
- Our guidelines align with Te Kawa Mataaho Public Service Commission guidelines on bullying and harassment prevention.

Safe and healthy environment

- Strong employee representation and involvement in health and safety committees and initiatives.
- Strong culture of reporting near misses and incidents so that learning and prevention can occur.
- Health and safety learning modules for all employees, with ongoing safety alerts, recognition, and initiatives to support a safe and healthy environment.
- Physical site health and safety checks completed by centralised team to ensure practices and environments are safe.
- ‘Safe Kiwis’ awards reward individuals and teams for outstanding health, safety and workplace behaviours and the introduction of new safety initiatives.
- Small innovation grants for teams to implement new health, safety, and workplace initiatives.
- Effective management of key health, safety, and wellbeing risks through a structured approach to identification, control, and monitoring.
- Comprehensive wellbeing programme, which has been tailored to our environment throughout the year, including:
 - flu vaccinations and health checks
 - Employee Assistance Programme and professional supervision support programme
 - rongoā Māori services for staff and families
 - ergonomic workstation assessments (both in the office and for remote working locations) and sit/stand desks across ACC
 - support for employees with disabilities and other needs.

In 2023/24, we focused shared actions on three People priorities. Our progress on the deliverables planned against the priorities is detailed below.

Table 4: 2023/24 Organisational excellence – Our people achievements

What we set out to achieve	Result
11 To enable our people to bring Huakina Te Rā to life, we will unlock the potential of our people.	
We will be continuing to improve our people’s experiences of work and make their work, work better.	Ongoing
We will have further elevated our focus on employee health, safety, and wellbeing.	Ongoing
We will be continuing to create an organisational culture that supports our people to express their identities, fosters a strong sense of belonging and wellbeing, and empowers them to work towards the same for their whānau and communities.	Ongoing
12 To ensure ACC is a mature, culturally safe and competent organisation, we will build equitable systems and policies.	
We will continue to elevate our focus on mātauranga Māori.	Achieved
We will have progressed the design and development of a whole-of-ACC organisational tikanga or kawa that reflects our commitment to Te Tiriti o Waitangi/The Treaty of Waitangi.	Ongoing
13 To develop our workforce to be able to deliver on our strategic direction, we need to attract and retain talent with the right mix of capabilities.	
We will be continually and actively addressing organisational capabilities, including leadership, to deliver on our strategic intent.	Achieved
We will be focusing on attracting and retaining talent with the capabilities (skills, knowledge, experience and behaviours) we need to be successful.	Ongoing

Organisational excellence – Our information and systems

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

At the same time, our technology must empower our people by providing them with the tools to deliver positive outcomes for our customers. This empowerment comes through improved data and analytics capabilities that enhance our culture of data-driven decision-making to create a higher-performing and more effective and efficient organisation.

As a continually improving organisation, we also need to ensure our organisation and customers are supported by reliable, safe and secure information technology.

Our performance ambitions

This year we achieved the following performance ambitions:

Overall system uptime 99.9%

There were challenges to delivering these ambitions in 2023/24:

Number of category 3,4 or 5 privacy breaches 10

Highlights this year

Care of personal information

This year, 10 of the 815 privacy breaches recorded were classified as a category 3, 4 or 5 (target of fewer than 3). Privacy remains an important focus across the organisation. As we continue to encourage our people to report issues, it is anticipated that both reported incidents and breach numbers may continue to increase. Better reporting of incidents demonstrates our increasing privacy maturity towards raising awareness and embedding privacy practices.

Maintained and optimised technology landscape

System and platform reliability, stability and security are essential to deliver services to our customers. This year, key maintenance and upgrades were completed to keep our systems stable and secure, and to ensure connections remained reliable to support ACC services with minimal impact on our staff.

We must move with the everchanging technology environment to deliver services and meet the needs of our customers. This year we continued to build and upgrade integration platforms enabling fast and secure system connections. Legacy technology continued to be replaced with modern systems and platforms and the rollout of the new cloud-based communication platform was successfully completed. Transition activities occurred including moving legacy data warehouse reporting to newer platforms. We strengthened our security to safeguard our systems, build resilience and to combat the increasing cyber threats.

Across the technology world, the use of Generative Artificial Intelligence (Gen AI) is increasing. Gen AI describes algorithms that can be used to create new content, making it quicker and easier to access information, uncover insights and enable innovation. This year, ACC established policy and frameworks to leverage the opportunities for Gen AI while mitigating potential risks. Security tools were implemented to monitor and block ACC information being used within external Gen AI tools. We also trialled Microsoft Co-Pilot, an internal AI tool, which improves the efficiency and productivity across our Microsoft applications.

Improved customer experiences and better outcomes

Our unified communications platform (Genesys Cloud) for customers has continued to evolve. Customers calling our Contact Centres can now use the new smart Interactive Voice Recognition (IVR) functionality, providing customer recognition and improved call routing and handling. This provides a faster and better customer experience.

Working made easier with technology

Our people have the tools and functionality to collaborate and communicate while delivering services securely. This year, we completed upgrades to our cloud-managed desktop platforms and devices to improve functionality and security, while continuing to support technical capabilities for both working from home and on-site. This includes automation and updates to our technology environments to improve the efficiency when making system changes.

Work continues with the broader health sector and government agencies to identify, deliver and support information and technology initiatives to improve interoperability and deliver better services.

Work was completed to make it easier for Integrated Care Pathway providers to obtain data, submit, maintain the claim, provide updates to service bundles and notify us when clients exit the Pathway. This will enable faster decision-making and better service information.

In 2023/24, we focused shared actions on four information and systems priorities. Our progress on the deliverables planned against the priorities is detailed below.

Table 5: 2023/24 Organisational excellence – Our information and systems achievements

What we set out to achieve	Result
14 We will embed the highest standards of care of personal information and privacy practice and improve our privacy maturity through continuous delivery programmes.	
We will be fostering a maturing privacy culture.	Ongoing
We will be designing processes and systems to both minimise the possibility of privacy breaches and continually improve our privacy performance.	Ongoing
15 To build effective and trusted partnerships, we will be transparent in how we collect, share and use data and insights.	
We will continue to uphold our commitment to making information available under the principles of the Official Information Act 1982 and the Privacy Act 2020.	Ongoing
We will be establishing an organisational approach to Māori data sovereignty.	Ongoing
16 To support a joined-up understanding to improve outcomes, we will ensure our data and analysis are high-quality, accurate and culturally informed.	
We will be enhancing our use of actuarial data to create and share insights that improve client outcomes.	Achieved
We will be enhancing our analysis of the Integrated Data Infrastructure to understand the customer journey across agencies.	Ongoing
17 We will ensure ACC's technology is reliable, safe and secure.	
We will ensure our technology landscape is maintained and optimised to support strategic and sustainable technology with minimal disruptions for our people.	Achieved
We will be supporting our people through training and upskilling to adopt strategic enterprise technology services.	Achieved
We will continue to deliver a cyber security programme of work to improve the security posture of ACC and its systems.	Achieved

Financial report

The longevity of the Scheme needs us to be considerate of environmental, social, and financial sustainability. We consider these themes in the way we operate internally, how we design, commission, and deliver our services to clients, and how we manage our investments and claims liabilities. Through careful guardianship of the Scheme we can continue providing the high-quality services our customers need, while not simultaneously imposing a burden on future levy payers and Governments.

The largest drivers of our financial performance are traditionally externally driven factors, including interest rates, inflation, financial market performance, levy decisions, and claims volumes. Also, this year the expansion of Scheme boundaries through a Court ruling has significantly impacted our financial position.

ACC invests to meet the future costs of outstanding claims. Our investment objectives seek to maximise investment returns over the long term while minimising unexpected mismatches between investment income and growth in the Outstanding Claims Liability (OCL). In 2023/24, the investment portfolio returned 7.46% (after costs), below benchmark but generating \$3.6 billion of investment income.

This year, a significant increase in the value of the future costs of accepted claims, the OCL came from our underlying performance and the court ruling.

The Scheme and its investments are deliberately structured to consider both the OCL and the need to maximise the use of our investment assets. External impacts and economic volatility will continue to impact our financial sustainability. Our ability to minimise the impact of these factors on the Scheme is limited, which means we must continue to concentrate on these areas of financial performance we can control.

Achieving appropriate outcomes for injured people

To ensure the financial sustainability of the Scheme we need to carefully consider the costs of the services we provide. This is balanced with ensuring the services are high-quality and support our clients to achieve the most appropriate rehabilitation and independence outcomes.

This year the cost of providing services and compensation to injured people increased 16% to \$7.2 billion, exceeding our budget expectations. The cost of providing compensation, treatment, and rehabilitation services to injured people has three main drivers:

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

New claim volumes grew but were generally in line with forecasts for 2023/24. Compensation costs are the largest contributor to the increase in costs this year. Deteriorating rehabilitation performance has led to longer weekly compensation durations and higher costs.

Lower utilisation of treatment services meant these costs were lower than budget, specifically for physiotherapy and specialist services.

Elective surgery costs reflect fewer surgeries carried out than expected. While workforce capacity in the health sector remains a challenge, the number of clients waiting for surgery is high.

Home and Community Support Services continue to see higher-than-expected costs per claim for seriously injured clients including increased supplier travel costs.

Vocational Rehabilitation services costs increased again this year. This reflects the ongoing focus of utilising these services to support positive and sustainable return to work outcomes for injured people.

As delivery of the initiatives in our Investment Plan to improve rehabilitation performance progress, we expect an impact on the costs of providing services to injured people.

Supporting injured people into the future

Some injured people with serious injuries will require ongoing support for decades to come. The OCL is the net present value¹ estimate of how much money we need in today's terms to support already injured people for as long as they need it.

In 2023/24, the OCL increased by \$8.7 billion to \$60.2 billion. This movement is broken into two components; the economic impacts and performance-related impacts.

Refer to page 118 for the full breakdown of the movements in the OCL.

1. Economic impacts on the OCL

Historically, the impact of external economic factors has contributed significantly to the movement in the OCL. In 2023/24 the impact of external economic factors was smaller than in recent years. An 18 basis point increase in interest rates reduced the OCL by \$1.8 billion.

The interest rate impact was partially offset by inflation movements. Increases in medium-term inflation rate projections increased the OCL by \$0.4 billion.

The value of the OCL is significant, so the Scheme will continue to be affected by the volatility of these external economic factors. For perspective, as at 30 June 2024, if interest rates were 1% higher, the OCL would have been a further \$6.8 billion lower. Conversely, a 1% decrease in interest rates would have added \$9.0 billion onto the OCL.

Refer to Note 6.3 (d) (ii) (page 127) in the financial statements for an analysis of the sensitivities of key valuation assumptions on the OCL.

2. Performance-related impacts on the OCL

In 2023/24 there were three key sources of performance-related increase in the OCL; the expected increase, actuarial strain and provision for policy changes following legal decisions.

Expected increase: Each year more injured people enter the Scheme than leave, the population grows, and inflation increases the costs of services. The effect of this growth towards Scheme maturity in 2023/24 was \$3.5 billion.

Actuarial strain: This year, most of the \$3.1 billion increase in the OCL from claims experience is influenceable. This movement includes the areas where management action could, at least partially, improve outcomes for injured people. Of this influenceable portion of the increase, the largest drivers were from:

- Weekly compensation: contributed \$1.3 billion. The deterioration in rehabilitation performance, concentrated in recent accident years (2015-2024) is driving this. A large portion of the strain is in the Earners' Account.
- Care for seriously injured people: contributed \$0.9 billion. Growth in the levels of attendant care hours related travel payments is driving this.
- Sensitive claims: contributed \$0.6 billion. An increase in the number of reactivations of old claims is driving this and is assumed to continue in 2024/25. There has also been an increase in backdated weekly compensation payments in the Non-Earners' Account.

Partially offsetting the influenceable strain were non-influenceable movements related to assumptions made for pay equity for care and support workers and nurses and allied health workers. This non-influenceable release was \$0.3 billion.

Provision for policy changes following legal decisions

Provision for policy changes following legal decisions: The largest single increase in the OCL this year (\$3.6 billion) is from a provision for policy change following a Court of Appeal decision relating to sensitive claims. The Court of Appeal's ruling requires that the financial effects of these claims to be accounted for much earlier. We are currently working through operationalising the ruling so we can ensure it is implemented appropriately. Refer to note 2.3 (page 110) in the financial statements for more information.

¹ The net present value is calculated using the Treasury discount rates that are generated from underlying New Zealand Government bond yields.

Increasing the investment portfolio

A portion of levies collected each year is invested to provide for future costs to support clients for the claims incurred in that year. Our Investment Fund is one of the largest in New Zealand, and to reduce the impact on levy payers, we look to maintain investment performance above benchmarks.

The calculation of the funds required to meet the future cost of injuries works on the assumption that we will earn an investment return that matches the yields available on long term government debt.

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

This year our investment portfolio returned a weighted average return of 7.46% after costs, generating \$574 million more income than expected. Strong gains created by interest rate positioning in our fixed interest portfolios were offset by underperformance of our active management decisions in global equity portfolios.

Every \$100 invested in 1992, is now worth \$1,692 and our investment portfolio is now \$48.5 billion, an increase from \$47.1 billion last year. For more details on our investment performance, refer to our Investments information on pages 53 and 172.

Financial sustainability for intergenerational fairness

Funding for the Scheme comes from levies, appropriations, and investment income. This means that future generations of levy payers do not carry the cost burden of injuries that occurred in earlier years.

During 2024/25 we will consult on and recommend levy rates for the 2025/26, 2026/27 and 2027/28 levy years. We will make recommendations on future levy rates based on the funding policy, Cabinet will decide what, if any, changes will be made.

The calculations outlined in the Government's funding policy produce both the recommended rates for the consultation years and a projection of future rates.

Currently, the financial sustainability of the Scheme is under pressure. Most Accounts have a declining funding ratio, and escalating new year cost gap, or both. To understand the financial sustainability of the Scheme the individual performance of each of ACC's five Accounts must be considered separately. Each Account, by design, has different drivers and dynamics.

Levy and appropriation revenue in a year should be at a level to cover the lifetime costs of new claims incurred in that year. Any difference between expected revenue and cost, by Account, is known as the new year claims cost gap or surplus.

Table 6: New year claims cost gap – levy year 2024/25

New year claims cost gap surplus / (shortfall)	As at 30 June 2024
Motor Vehicle	(\$472m)
Work	(\$496m)
Earners'	(\$824m)
Treatment Injury (Earners')	(\$143m)
Treatment Injury (Non-Earners')	(\$9m)
Non-Earners'	(\$210m)

Funding ratios for the Earners' Account and the non-levied Accounts are below the funding policy target of 100% for 2023/24. Funding ratios have fluctuated over the year, mainly in response to changing discount rates. However, the OCL strain and the change to provision for policy changes following court decisions in the June 2024 valuation have resulted in a significant deterioration. All Accounts are now at a lower funding position than June 2023.

While we do expect some volatility in the funding ratios, if Accounts are underfunded for too long it can be difficult to get them back to target. This threatens intergenerational fairness and sustainability, and could mean future generations will have to pay higher levies to cover the costs of the prior generation's accidents.

Expected future lifetime claims costs in the levied Accounts remain significantly higher than levy income. Some of this is expected as levied Accounts were above the funding target at the previous levy consultation, so levies were intentionally set below the level of the future lifetime claims costs.

The Non-Earners' and the Non-Earner's portion of the Treatment Injury Account are both below the funding target. Appropriations would need to be set above the level of the future lifetime claims costs for these Accounts to become fully-funded.

The long-term nature of the Scheme means that while our investment portfolio can partially offset some movements in our liabilities, it is not possible to fully match assets to total claim liabilities.

Therefore, to alleviate some of the pressure in the Scheme, we must continue to prioritise our resources on the areas of greatest impact: injury prevention and rehabilitation performance.

Te Pūrongo Haumi | Investments report

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

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

7.62%	2023/24 return (before costs)	7.25%	2022/23 return (before costs)
9.26% p.a.	Investment returns since 1992	8.02% p.a.	Benchmark returns since 1992
\$1,692	Growth of \$100 since 1992	0.16%	Management expense ratio
\$48.5 billion	Value of ACC investments on 30 June 2024		
-0.11%	2023/24 investment performance after costs relative to benchmark		

Message from the Chief Investment Officer

It has been a solid year for the Fund achieving a 7.6% return (before costs). It gives comfort that based on our estimated long-run returns of between 5.5% to 6%, the return achieved in 2024 is a better-than-average result. There were a lot of conflicting factors that made up that 7.6%.

While it was a good year for markets overall, one of the unusual features was the divergence between New Zealand and global shares. Global equities produced returns in New Zealand dollars of about 18%, whereas the New Zealand sharemarket delivered roughly -4% over the fiscal year.

This domestic picture is not as bleak as it seems. Poor market performance in New Zealand followed a decade of reasonably strong returns. It also reflected tight monetary policy and a weakening economy. Both are a tough environment for shares.

Tech stocks

Meanwhile, much of the divergence came from the strong performance of US stocks, particularly the leading tech stocks. ACC held about \$1.6 billion of portfolio exposure to this group, although our active managers have generally chosen to take slightly underweight positions to their benchmark. Microsoft was our largest equity holding at about \$420 million at the end of the fiscal year. Total holdings of Microsoft, Nvidia, Google, Meta and Apple were just under \$1.2 billion.

Nvidia grew very rapidly to come from being a small holding to our twelfth largest stock by the end of the year. Market opinions might differ on the sustainability of this growth. On the one hand, artificial intelligence (AI) has almost unlimited uses in the economy. The question is not whether AI has a future, but rather the extent investors have already priced this into current stock values.

The typical pattern in past 'booms' is that the companies who are the early starters are not necessarily the long-term beneficiaries of these changes.

What we can say is that this is typically a tough environment for active managers for whom the cost of being underweight or overweight in these large stocks can be severe. As a long-term investor, it is important to have a comprehensive understanding of a manager's style and operating procedure and not to be too quick to judge them solely on their short-term results.

Investment beliefs

It was pleasing to be able to publish our investment beliefs in 2024 as part of ACC's ongoing commitment to transparency. Our investment beliefs are designed to stand the test of time and are a key factor behind our track record of strong investment returns.

They are a good guide in turbulent times and impose a useful discipline in forcing managers to address whether the positions they would like to take truly reflect how markets operate. This is a discipline that all investors can benefit from.

Our beliefs are a useful tool for helping ensure the Fund achieves its long-term objective of supporting New Zealand's no-fault accident insurance scheme while keeping levies lower than they'd otherwise need to be.

ACC's five accounts

We typically report aggregate returns for the Fund. However, we tailor our investments to each of the Scheme's five accounts, and the duration and severity of injuries they cover. Each account has a different risk profile, cashflow demands and funding ratio, which all have a bearing on the mix of asset classes we allocate to them.

The way we invest can vary markedly between accounts. For example, the Non-Earners' Account is not fully funded, and to increase the potential for returns it has the highest weighting to equities. In 2024, returns from the non-earners account were the standout at 9.1%. By contrast, the Motor Vehicle Account is fully funded and has the most conservative investment risk profile, with the largest allocation to New Zealand Government bonds (it returned 6.5% in 2024).

This emphasises the importance of looking beyond the Fund's headline investment returns. In ACC's case, what is more important is the contribution that investment income can make to the operation of the overall ACC Scheme.

Evolution of our ethical policy

We continue to make good progress on our ethical objectives. Carbon intensity continues to fall in line with our objectives (60% reduction by 2025 and 65% reduction by 2030 from 2019 levels). We continue to ratchet down the carbon limits imposed on our portfolio managers.

The climate impact fund was merged with our general private market portfolio during the year. This merger highlights that carbon investing has become mainstream at ACC and embedded in our investment process.

Highlights of 2023/24

Investment beliefs, risk tolerance ACC has published its investment beliefs as part of our ongoing commitment to transparency. Our beliefs are an important foundation for ACC Investments, helping ensure the Fund achieves its long-term objective of supporting New Zealand's no-fault accident insurance scheme, while keeping levies lower than they'd otherwise need to be.

In 2024, the Board reviewed the risk tolerance settings for the Fund, approving a 5% increase in equities across ACC's accounts. Asset allocation changes are dependent on factors such as market conditions and the funding ratios of ACC's accounts. The shift in risk tolerance will be phased in over a few years. The Board last reviewed risk tolerance in 2016.

Reducing carbon emissions ACC remains on track to meet our interim targets on reducing the carbon intensity of the Fund and our commitment to Net Zero 2050, if not sooner. The Fund achieved a 62% reduction in carbon intensity of listed equities from 2019 levels. We continue to implement carbon intensity reduction through a range of measures such as carbon caps that shrink over time on our equity portfolios. Details are provided in ACC's Climate Change Report, published separately for the first time this year.

ACC continues to engage with investee companies to support and encourage their transition to a lower-carbon future. An example is our collaboration with the other Crown Financial Institutions, using our collective influence to engage with New Zealand's biggest companies on climate change.

The Private Markets portfolio is helping finance Wellington's \$400 million Sludge Minimisation Facility (SMF) via a special purpose vehicle owned by Crown Infrastructure Partners and enabled by the Infrastructure Funding and Finance Act 2020. ACC's involvement is another example of our support for critical infrastructure, helping local authorities who are facing financing constraints on their own balance sheets while generating a commercial return. The SMF will significantly reduce emissions from the city's sewage sludge while capturing biogas that will help power the facility.

In 2024, ACC merged the Climate Change Impact Fund back into the Private Markets portfolio. The knowledge from concentrating on climate opportunities over the past two and a half years has been incorporated back into Private Markets as business as usual. This also reflects the increasing sophistication in the approach to reducing real world emissions.

Management expense ratio One of ACC's long-term objectives is to deliver value for money through prudent cost management to maintain a low-cost fund that is fit for purpose. ACC uses an investment industry-standard cost measure called the management expense ratio (MER) to assess our costs, based on management costs relative to funds under management.

In 2024 ACC's MER was 0.16% compared to a target of 0.17%. This follows a long history of ensuring we continue to be a low-cost fund. For comparison, the average fees and expenses for KiwiSaver default providers was 0.43%, based on Melville Jessup Weaver's October 2023 KiwiSaver Market Review.

Investment beliefs

Being open and transparent supports New Zealanders' trust and confidence in their government organisations and agencies.

For the first time, ACC has published our investment beliefs as part of our ongoing commitment to transparency. These beliefs — both explicit and implicit — have guided the Fund since inception more than 30 years ago and are a key factor behind our track record of strong investment returns.

Our investment beliefs are a clear statement about how we think investment markets work and ensure a shared understanding of how we operate. They are designed to stand the test of time and improve the innovative adaptability of the organisation.

Our investment beliefs are critical for the functioning of the Fund and a springboard for everything we do. They play a key role in ensuring continuity through time and people.

The 12 beliefs cover the role of governance and the importance of clear lines of accountability, clear purpose for the Fund, our beliefs about asset allocation and markets, the paramount importance of our people, manager selection, and our relentless focus on costs.

Our investment beliefs are published on ACC's website here: www.acc.co.nz/about-us/our-investments/investment-beliefs.

Setting investment risk tolerance

One of the most important, and most difficult, decisions the ACC Board makes for our Investment Fund is setting the Fund's tolerance for risk. No return can be achieved without risk.

The \$49 billion Fund invests for the long term, so the dollar impact of the chosen risk tolerance can be substantial.

ACC's biggest holdings are in Government bonds — long-term investments with relatively secure cashflows that provide the best match for ACC's long-term liabilities — our OCL.

A key consideration of the risk tolerance review is the Board's tolerance for equity risk. Stock markets can offer higher returns than bonds, helping to lower average levy rates, but such returns come with greater risk. Setting the appropriate level of equity risk means getting the balance right between the interests of the current generation of levy payers and future generations who would have to make up any shortfall in funding if returns were below expectations.

ACC is a long-horizon investor with secure cashflows and as a statutory monopoly our claims-paying ability is not in question. This means ACC is well placed to take equity risk to lower average levy rates.

In the 2024 Risk Tolerance Review, the Board approved a 5% increase in equities across ACC's accounts. An increase of this magnitude raises potential investment income by about \$100 million a year, lowers average levy rates by 1.5% and has only a small impact on estimated long-term risk. It would also move ACC closer to the average equity allocation of funds with similar long-term defined liabilities, such as Australian accident insurers.

Any adjustment will be phased in over 2 years or longer. In 2016, a similar decision was made to increase the weighting to equities.

Changes to the Fund's risk tolerance are made infrequently, every 5 to 10 years, because an infrequent review cycle helps 'institutionalise' our tolerance for risk and guards against behaviour such as panic selling, exuberant buying and delayed investment. ACC makes a public risk tolerance statement to enhance the institutional stability of the risk tolerance decision. For more information see: www.acc.co.nz/about-us/our-investments/investment-risk-tolerance-statement

The risk tolerance review links to the Board strategy of Ringa Atawhai — Guardianship. We are valued kaiāwhina of the people we serve now and trusted stewards for future generations to come. This means helping people to recover from injury, maintaining the trust and support of the people we serve, and focusing on the financial stability of the Scheme over time.

How we invest ethically

Our ethical investment policy

ACC believes that carrying out its duty to invest requires it to consider the ethical implications of its investments as well as its fiduciary responsibilities.

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.

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

ACC has a legal requirement to invest as a trustee, which implies a fiduciary responsibility to achieve the best possible mix of long-term return and risk on its investment funds.

Climate change and carbon reduction

ACC takes its responsibilities on climate change and sustainability seriously. We continue to take actions that demonstrate this.

ACC is a signatory to the Crown Responsible Investment Framework and the Net Zero Asset Owner Commitment and is committed to reporting progress on transitioning to net zero emissions by 2050 in line with government policy and the Paris Agreement.

ACC is on track to achieve a 60% reduction in the carbon intensity of listed equities in 2025, compared to a June 2019 baseline, and to reach a 65% cut by 2030. We have cut the carbon intensity of our listed equities by exiting thermal coal miners, switching to low-carbon benchmarks, and imposing a carbon cap on portfolios that reduces over time.

These targets align with the Climate Change Response (Zero Carbon) Amendment Act 2019. The targets will be subject to review as we move towards net zero.

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

Activities we will not invest in

ACC avoids investing in entities that engage in activities that are illegal in New Zealand or that most New Zealanders would regard as unethical.

ACC recognises that significant numbers of New Zealanders believe that various other activities are unethical (e.g. involvement in gambling, fast food, sugary soft drinks, alcoholic beverages, or factory farming). However, ACC would be unlikely to impose a blanket exclusion on investing in these activities unless New Zealand's Parliament passed laws to ban them.

When New Zealand's Parliament does ban an activity, ACC will presume that the 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 avoid making any form of investment that is illegal under New Zealand law.

In addition to excluding investments in specific types of activities, ACC occasionally excludes companies that it believes are behaving in an unethical manner if there seems little chance that they will change their behaviour. In these cases, ACC will typically discuss its concerns with the companies before we make any final decisions to add them to our exclusion list.

We hope that, in most 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.

Our exclusions list is continually reviewed in these areas:

- 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 revenues from thermal coal.
- As a health-focused agency, ACC avoids investing in tobacco production. We recognise that while tobacco is still legal in New Zealand it is also greatly discouraged by public policy.
- Production or supply of recreational cannabis or supply of unlicensed medicinal cannabis.

Investing in New Zealand

Iwi partnerships

Māori iwi have many characteristics in common with ACC investments policy. Iwi are focused on Aotearoa New Zealand, representing a broad part of our community, and often have a long investment horizon and a broad mandate to invest. This makes us natural co-investment partners where there is a demonstrated commercial return. Examples of our iwi partnerships include:

- A joint venture with Ngāi Tahu Property to develop Ōtepoti, a state-of-the-art office building that will house ACC's Dunedin-based operations.
- Teaming up with Te Kawerau a Maki to buy land at four school sites across Tāmaki Makaurau Auckland with the Ministry of Education as tenant.

New Zealand financial markets

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 3.8% of the available shares if we exclude strategic shareholding blocks, such as the Crown's shares in the gentailers (electricity generators and retailers) 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 most individual companies or securities are generally too small to significantly affect total investment returns. ACC holds seven equity investments that individually represent more than 0.5% of the Reserves Portfolio (i.e. greater than \$242 million).

The only individual credit exposures representing more than 1% of the Reserves Portfolio are to the New Zealand Government, Housing New Zealand and one financial services group.

ACC's 20 largest listed equity investments

\$NZ million

Microsoft	417.7
Infratil	374.6
Auckland International Airport	331.4
Meridian Energy	290.7
Contact Energy	288.2
Spark New Zealand	259.1
Fisher & Paykel Healthcare	242.4
Alphabet	225.1
Meta Platforms	195.0
EBOS	181.4
Precinct Properties Group	177.4
NVIDIA	167.3
Goodman Property	166.9
Transurban	155.4
Apple	155.3
A2 Milk	149.7
Kiwi Property Group	143.7
BHP	142.3
Mainfreight	134.9
Mercury NZ	133.7

Governance

ACC has a dedicated Governance Manager who works with our New Zealand listed Equity team to actively exercise our corporate governance responsibilities. This has the dual benefits of driving sustainable value creation by holding issuers to account for their performance and lifting New Zealand corporate governance standards.

Over 2024, regulatory attention has been focused on the representation of shareholders' interests in NZX reviews on independence and disclosure of executive remuneration. We also participated in consultation processes with the Financial Markets Authority (about Initial Public Offering disclosures) and the NZ Takeovers Panel (about conditions attached to Schemes of Arrangement).

We actively represent our interests to boards focusing on strategy, board composition and alignment of executive remuneration. For New Zealand portfolios, ACC votes on all proxies and exercises our voting rights in the interests of levy payers.



Ngā mahi whakahaere
Governance



Ngā mahi whakahaere | Governance

ACC Board and governance framework

ACC is committed to excellent corporate governance processes and practices.

ACC is governed by a Board of up to nine non-Executive members, each appointed by the Minister for ACC for up to 3 years.

Minister for ACC		
ACC Board		
Risk, Assurance and Audit Committee	Investment Committee	People and Culture Committee
Chief Executive		
Executive		

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 of ACC for the performance of their duties.

The Board's governance role is largely governed by the provisions of the Crown Entities Act 2004 and the Accident Compensation Act 2001. These Acts include the following elements:

- Maintaining appropriate relationships with the Minister, Parliament and the public.
- Ensuring ACC's compliance with the law.
- ACC's accountability documents and relevant Crown expectations.
- Ensuring that ACC is a good employer and creates an environment that promotes the highest standards of safety and wellbeing, both for its employees and 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 about the operation of ACC must be made by, or under, the authority of the Board.
- The Board delegates to the Chief Executive the day-to-day management and leadership of ACC.

Board committees

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

Risk, Assurance and Audit Committee

Assists the Board to fulfil its responsibilities for financial, investment and operational service delivery controls, performance, monitoring and reporting. The committee has delegated authority to oversee, review, monitor and provide recommendations to the Board on its responsibilities.

Members: Bella Takiari-Brame (Chair), Dr Helen Nott, Kim Gordon (appointed 19 October 2023) and Fred Hutchings (independent member).

Investment Committee

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

Members: Mark Cross (Chair), David Hunt, Stephen Montgomery (independent member), Paul Richardson (independent member), and Amanda Smith (independent member).

People and Culture Committee

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

Members: Dr Tracey Batten (Chair until 13 December 2023), David Hunt (Chair from 13 December 2023), Pat Bowler (resigned 31 January 2024) and Kim Gordon (from 13 December 2023).

Health Sector Strategy Advisory Committee

The Health Sector Strategy Advisory Committee was disestablished on 18 July 2023. It assisted the Board by providing advice on the development, design, and implementation of the Health Services Strategy, including on the approach for meaningful sector engagement and implementation.

Managing potential conflicts of interest

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

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

ACC Board and Committee Members do not receive any information in relation to ACC investments where the Member has a potential conflict of interest.

ACC Board

Members of the Board who served in 2023/24

- The Hon Steve Maharey (Chair) — appointed May 2021, Chair from August 2021, resigned December 2023
- Pat Bowler — appointed February 2021, resigned January 2024

Following the resignation of the Hon Steve Maharey in December 2023, Dr Tracey Batten was acting Board Chair and David Hunt acting Deputy Chair until both were appointed in March 2024.

Board appointments during 2023/24

- Kim Gordon — appointed September 2023
- Dan Buckingham — appointed June 2024
- Jan Dawson — appointed June 2024



From left to right:

Dr Helen Nott, Jan Dawson, Bella Takiari-Brame, Dr Tracey Batten (Chair), Mark Cross, Kim Gordon, David Hunt (Deputy Chair) and Dan Buckingham.

Chair — Dr Tracey Batten**Appointed February 2019, Chair from March 2024**

Tracey is an experienced non-executive director. She is a qualified medical practitioner, holds a Master in Business Administration from Harvard Business School and is a Fellow of the Australian Institute of Company Directors. She brings over 30 years of international experience in the healthcare sector and has previously held Chief Executive roles at a number of healthcare groups including St Vincent's Health Australia and Imperial College Healthcare NHS Trust.

Deputy Chair — David Hunt**Appointed September 2021, Deputy Chair from March 2024**

David is an economist with extensive public and private sector experience for both government and business organisations. He is a consulting associate and past director at Concept Consulting Group, a firm that specialises in providing advice on carbon, energy and utility-sector issues. In this role David has led assignments in New Zealand, Australia and Singapore. He has a BA Hons (First Class) in Economics and a BA in Statistics, both from Massey University.

Mark Cross**Appointed August 2021**

Mark is an independent director with over 20 years of international experience in corporate finance. He holds a Bachelor of Business Studies (Accounting and Finance) degree, is a member of Chartered Accountants Australia and New Zealand, a Chartered Fellow of the New Zealand Institute of Directors and a member of the Australian Institute of Company Directors.

Dr Helen Nott**Appointed February 2021**

Helen is an experienced company director focused on the health, wealth, care and insurance sectors. She brings to ACC over 20 years of experience in corporate strategy and innovation. She holds a Bachelor of Science in Mathematics and a Doctor of Philosophy in Engineering. Helen is a Fellow of the Australian Institute of Company Directors, and a member of the New Zealand Institute of Directors and Chief Executive Women (Australia).

Bella Takiari-Brame**Appointed February 2021**

Bella is Ngāti Maniapoto and Waikato-Tainui. She is a Fellow of Chartered Accountants Australia and New Zealand and Chartered Member of the Institute of Directors. Bella has global experience in oil and gas and utility industries. She holds governance roles in iwi, commercial and Crown entities. Bella has a Master in Management Studies with Distinction from Waikato University.

Kim Gordon**Appointed September 2023**

Kim has over 30 years' technology advisory experience across commercial, procurement, strategy, governance and legal roles. She was previously a partner at MinterEllison and has held a number of not-for-profit, public and private sector governance roles over a 17-year period.

Kim holds a Bachelor of Laws (Hons) and a Bachelor of Commerce from the University of Auckland. She was born in Apia and is of Samoan, Chinese and European ancestry.

Dan Buckingham**Appointed June 2024**

Dan has significant governance and executive leadership experience. He also brings significant lived experience, strong networks and knowledge of the disability sector.

Currently, as CEO of Able, Dan champions the goal of equal access to audiovisual media. Dan has served on the boards of Drug Free Sport NZ, Attitude Trust and New Zealand Wheelchair Rugby. A former Paralympic athlete, Dan was part of the Gold Medal-winning team at Athens 2004 and captained the side in Beijing 2008.

Jan Dawson**Appointed June 2024**

Jan is a strategic and analytical thinker with extensive experience governing large organisations. She holds a Bachelor of Commerce from the University of Auckland and is a Fellow of Chartered Accountants Australia and New Zealand and a Chartered Fellow of the Institute of Directors NZ.

Board and sub-committee attendance and fees

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.

Table 7: Board and sub-committee attendance and fees

Board members	ACC Board	Health Sector Strategy Advisory Committee	Investment Committee	People and Culture Committee	Risk, Assurance and Audit Committee	2023/24 Remuneration
Dr Tracey Batten	11/11	1/1		4/4		\$84,755
David Hunt	11/11		8/8	6/6		\$57,138
Dr Helen Nott	11/11	1/1			4/6	\$50,225
Bella Takiari-Brame	9/11				6/6	\$55,248
Mark Cross	8/11		8/8			\$55,248
Kim Gordon	9/10			3/3	3/3	\$37,669
Daniel Buckingham	1/1					\$4,185
Jan Dawson	0/1					\$4,185
Hon Steve Maharey	4/4					\$41,854
Pat Bowler	5/6			2/3		\$29,298
Independent members						
Risk Assurance and Audit Committee						
Fred Hutchings					6/6	\$30,000
Investment Committee						
Stephen Montgomery			8/8			\$30,000
Paul Richardson			8/8			\$30,000
Amanda Smith			8/8			\$30,000
Health Sector Strategy Advisory Committee						
Dr Mafire Harwood		0/1				\$2,500
Dr Lloyd McCann		1/1				\$2,500
Professor Kath McPherson		1/1				\$2,500
Dr Api Talemaitoga		1/1				\$1,783

Board members' and employees' indemnity and insurance

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

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

Whole-of-government directions

The following provides the details of the current directions given by a Minister that remain current. There were no new directions given in 2023/24. These directions apply to the whole of government.

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
Carbon Neutral Government Programme	27 March 2022

Subsidiary company

Shamrock Superannuation Limited, a wholly owned Crown entity subsidiary of ACC, was established in 1991 to act as the independent corporate trustee for the mysuper Superannuation Scheme.

Shamrock's role is to act in the interests of members by being an independent trustee, manager, and custodian of the Scheme's assets. Shamrock is bound by the mysuper Superannuation Scheme's Trust Deed.

As at 30 June 2024, Shamrock had five directors (Bruce Kerr, Stewart McRobie, Michael Frampton, Philip Newport, and Jennifer O'Sullivan-Brown). On 16 August 2024, Paul Bevin and Andrew Johnson were appointed as directors of Shamrock and Bruce Kerr resigned as a director.

No remuneration was paid or is payable from ACC to the directors in their capacity as directors in 2023/24.

Shamrock has no employees to whom remuneration was paid or payable during 2023/24.

ACC Executive

Executive members who departed in 2023/24

- Tane Cassidy — Deputy Chief Executive, Prevention and Partnerships
- Peter Fletcher — Deputy Chief Executive Enterprise Change Delivery
- Michelle Murray — Tumu Pae Ora (Chief Māori and Equity Officer)

Executive appointments during 2023/24

- Rēnata Blair — Deputy Chief Executive, Māori
- Campbell Mackie — Deputy Chief Executive Enterprise Change Delivery (Acting), from June 2024
- Phil Riley — Deputy Chief Executive, Prevention and Partnerships (Acting), from April 2024

Figure 1: ACC Executive structure as at 30 June 2024

ACC Board							
Chief Executive							
Strategy, Engagement and Planning	Service Delivery	People and Culture	Corporate and Finance	Investments	Māori	Prevention and Partnerships	Enterprise Change Delivery



Megan Main
Chief Executive

Megan started as Chief Executive of ACC in November 2021.

With a strong background in healthcare and delivering quality public services, Megan is passionate about leading ACC to deliver on its purpose of improving lives every day.

Prior to joining ACC, she held leadership roles at the Ministry of Business, Innovation and Employment (MBIE) as Deputy Chief Executive of Managed Isolation and Quarantine (MIQ), and Deputy Chief Executive of the Corporate, Governance and Information Group.

Megan was previously Chief Executive at NZ Health Partnerships and Chief Executive of Health Purchasing Victoria (Australia). Before joining the health sector, she held senior line management and consulting roles in a range of industries including fast-moving consumer goods, manufacturing and professional services.

The Chief Executive leads the ACC Executive. This is made up of senior leaders from each of our business groups. The Executive Team has collective responsibility for the leadership and performance of ACC.



Andrew Milne
Deputy Chief Executive, Strategy, Engagement and Planning

Andrew joined ACC in September 2022 from MBIE, where he was the Deputy Secretary for MIQ.

Prior to MBIE, he was Deputy National Commissioner at the Department of Corrections. Originally from the United Kingdom, Andy had an extensive career in the British police, including as a senior officer investigating fatal road crashes — an experience which makes him particularly passionate about ACC's prevention focus.

The Strategy, Engagement and Planning group leads development and implementation of ACC's Strategy, through activities that support continuous improvement of ACC and enterprise planning. The group comprises our strategy and customer insights, enterprise planning, government engagement, customer engagement, and performance and intelligence functions.



Amanda Malu
Deputy Chief Executive, Service Delivery

Amanda (Kāi Tahu) joined ACC in September 2022, bringing a wealth of experience in service design and delivery.

Before joining ACC, she was the Chief Executive of Whānau Āwhina Plunket, the largest provider of support services to families with young children in Aotearoa. Amanda's passion for making a difference is evident in the leadership roles she has held, including at Whānau Āwhina Plunket and previously as an Associate Director on the Board of Ngāi Tahu Holdings, and at the Families Commission, ESR and the Tertiary Education Commission.

The Service Delivery group provides critical customer-facing support services for people injured in an accident, working in close partnership with other parts of ACC to achieve positive outcomes for New Zealanders. The group includes the customer connection, client recovery, service operations, service support and integrity services functions.



Michael Frampton
Deputy Chief Executive,
People and Culture

Michael joined ACC in April 2022. He is a seasoned human resources leader with over 15 years executive and industry leadership experience in delivering people strategy, organisational transformation and service redesign.

He previously held the role of Chief People Officer at Sky TV, and prior to that spent 8 years at Canterbury DHB, including as Chief People Officer and as the executive lead for the West Coast DHB. Michael also chaired the 20 DHB Chief People Officer group for 4 years, and has significant experience in large-scale, complex public and private sector roles and health environments.

The People and Culture group is responsible for our enterprise people strategy which enables the business to deliver on our mission of improving the lives of New Zealanders every day. The Group oversees ACC's organisational design and development, talent attraction and retention, culture and values, wellbeing health and safety, employee relations, and employee communications and engagement.



Stewart McRobie
Deputy Chief Executive,
Corporate and Finance

Stewart joined ACC in August 2022. He has vast experience across the private and public sectors in banking, insurance and government, spanning a broad range of corporate and finance functions.

Stewart was previously the Chief Financial Officer MBIE, leading the Finance and Performance group. He previously held Chief Financial Officer and other senior roles responsible for a range of finance and corporate functions, including at the New Zealand Racing Board where he also acted as Chief Executive Officer for an extended period, and before that Chief Financial Officer for each of ASB, AMP and Westpac.

The Corporate and Finance group enables the organisation through the provision of strategic and operational advice and support across ACC. It comprises our technical corporate functions across finance, legal, risk and assurance, actuarial, procurement, property and privacy.



Paul Dyer
Chief Investment Officer

Paul first joined ACC in 2008 and became Chief Investment Officer in 2019.

Before joining ACC, Paul was Chief Investment Officer of both AMP Capital Investors and the New Zealand Superannuation Fund, Chief Advisor to the Minister of Finance and an economist with the New Zealand Treasury and stockbroker Bittle Wilson (now UBS).

The Investments group manages our investments to achieve the best possible balance of return and risk. This is done by continually reviewing strategic asset allocations to ensure they provide the best possible balance of risk and expected return, and by actively managing our investment portfolio to gain better risk-adjusted returns than we would achieve from passive investments. This group develops ACC's overall investment strategy and manages a significant proportion of ACC's investment portfolio, which includes managing strategic asset allocation, equities, fixed interest and direct markets.



Rēnata Blair
Deputy Chief Executive, Māori

Rēnata is Ngāti Whātua. He joined ACC in November 2023 and has a career spanning 25 years in the Māori sector of education, business and finance.

In his role as General Manager Māori Business at the Bank of New Zealand (BNZ), he worked to grow the business across Te Ao Māori, both in meeting the needs of its customers and as a workplace which attracts, grows and retains Māori kaimahi (staff). Rēnata is also an experienced leader at board level, currently serving on the Ngāti Whātua Ōrākei Trust, Eden Park Board and AUT University Council.

The role of Deputy Chief Executive Māori reflects the need for ACC to have influential and widely recognised Māori expertise, strategic guidance and advice at the highest level of the organisation, ensuring we honour our Te Tiriti obligations and fulfil the potential of our 10-year strategy, Huakina Te Rā.



Phil Riley
Deputy Chief Executive (Acting),
Prevention and Partnerships

Phil brings extensive senior leadership experience from his long career with ACC covering operational and change roles.

He joins the Prevention and Partnerships team having most recently held the role of Head of Client Recovery, leading our teams providing rehabilitation services to injured New Zealanders. Phil's previous roles include leading our Business Customer group, and Chief Transformation Officer, leading our strategic approach to transformational change.

The Prevention and Partnerships group drives our injury prevention strategy and leads ACC's partnerships with levy payers and across the health sector and business community. It leads the delivery of ACC's Injury Prevention and Health Sector Strategies and ensures a strong and cohesive focus on health outcomes.



Campbell Mackie
Deputy Chief Executive (Acting),
Enterprise Change Delivery

Campbell joined ACC in December 2018. He is an experienced technology leader, most recently as the Head of Technology & Platforms, and was responsible for the strategic planning and delivery of ACC's Technology and Platform services. This includes leading Cyber Security, Technology Operations, Delivery and Engineering, Service Delivery and Digital Workspace functions.

The Enterprise Change Delivery group translates the ACC Strategy and enterprise plans into action, ensuring our customers are at the centre of all solutions. It also enables the organisation through the provision of information systems, technology and analytics services. The Group comprises our business performance, technology and platforms, information and technology integration, architecture, commercial strategy and services, customer solutions and business capabilities functions.

Nga whakaritenga mo nga take morearea |

Managing risk

At ACC we look to balance opportunities and challenges in a dynamic operating landscape and contend with external factors often outside the scope of our direct influence.

Our current view of enterprise risks is outlined below and aligns to our strategic goals of Mana Taurite | Equity, Ringa Atawhai | Guardianship and Oranga Whānau | Safe and Resilient Communities. Our enterprise risks focus on ensuring the Scheme is financially sustainable for future generations and that we maintain public trust and confidence.

Our risks

- Investment performance:** Risk that the market value of the investment portfolio decreases as a result of changes in financial market variables, on a long-term basis leading to financial loss and liquidity constraints.
- Asset / Liability mismatch:** Risk of an unexpected mismatch between investment income and growth in the outstanding claims liability on a long-term basis leading to levy and funding ratio volatility.
- Claim management efficiency and effectiveness:** Risk that we do not adequately understand, anticipate, monitor and respond to claims cost performance trends, resulting in increased cost and / or rehabilitation duration leading to strain on scheme resources and sub-optimal outcomes for clients.
- Scheme boundary and scope:** Risk that decisions made to, or decisions made by the Court of Appeal that, expand or change what is covered by the AC Scheme result in strain on operational workloads, scheme performance and costs due to the three-year levy setting cycle.
- Injury Prevention impact:** Risk that our prevention efforts are not effective in minimising the incidence and severity of injuries leading to ongoing increase in claim volumes and strain on scheme costs.
- Rehabilitation system performance:** Risk that we do not understand and manage the end-to-end rehabilitation system effectively, leading to increased rehabilitation durations, strain on scheme costs and sub-optimal outcomes for clients.
- Equity in access, experience and outcomes:** Risk that injured New Zealanders who are entitled to ACC support do not receive it leading to inequities in injury outcomes and longer-term health and a lack of fairness.
- Mana Taurite / Māori customer access and outcomes:** We fail to make progress in implementing initiatives that are meaningful, scalable or timely enough to improve Scheme engagement, access, experience and outcomes with Māori.
- Climate change response:** Our response to climate change fails to satisfy legislative or other requirements related to NZ's climate change policies or is perceived as inadequate / socially unacceptable.
- Health and Safety:** Risk that we do not ensure the Health, Safety & Wellbeing of our staff or provide them with a safe and respectful working environment.
- Cyber and information security:** Risk that we fail to take all reasonable steps to protect our systems and information from cyber security threats.
- Privacy:** Risk that our actions or decisions involving personal information are (or are perceived to be) unlawful, unethical, and/or do not maintain the trust and confidence of New Zealanders.
- Key person risk:** Risk that we fail to create and implement succession plans for critical managerial and / or technical positions.
- Organisational resilience:** Risk that ACC is unable to respond to and / or recover from a disruption impacting priority activities and / or critical systems resulting in strain on our workforce and the Scheme.
- Fraud:** Risk that we experience fraud resulting in financial loss, reduced trust and confidence in ACC and / or significant organisational capacity is needed to respond.



Te tauāki
whakatutukinga
Statement of Performance



Te tauāki haepapatanga | **Statement of responsibility**

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

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

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

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

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of ACC for the year ended 30 June 2024.

Signed on behalf of the Board:



Dr Tracey Batten

Board Chair

Dated 18 September 2024



David Hunt

Deputy Board Chair

Dated 18 September 2024

Te tauāki whakatutukinga | Statement of performance

The statement of performance reports against the measures contained in ACC's Service Agreement 2023/24. The measures included were selected to align with our outcomes and strategic intentions as described in our strategy, Huakina Te Rā. As such, many of our measures are new to our accountability documents. This means the historical results included in this statement have not previously been audited.

This section includes a description of what is intended to be achieved within each output, as well as our performance against the measures included in the Service Agreement 2023/24. We have provided explanations of our performance, specifically where we did not achieve the targeted performance levels. Definitions of all measures included in the statement of performance are included in the Glossary on page 185.

Performance summary

2023/24 was a challenging year for the Scheme, as reflected in our results. We acknowledge our level of performance has not reached the standards set in our Service Agreement 2023/24 and this is not satisfactory. We have established specific interventions to improve future performance. The scale of change required is significant, so we have phased the interventions over a 3-year period, balancing short-term improvements with advancing systemic longer-term changes.

In 2023/24, ACC supported over two million new claims. These injured people received over \$4 billion of treatment and rehabilitation services and almost \$3 billion of compensation payments.

New claims registered and new weekly compensation claims continued to grow this year but were slightly lower than the budget set in early 2023. Growth of new claims is largely driven by movements in macro-economic factors. The number of new claims, particularly the number of new weekly compensation claims, is a key driver of Scheme performance. High volumes affect the workload of our staff and the composition of claims being managed. The wider health sector continues to experience workforce pressures, which can adversely impact rehabilitation performance and the delivery of injury prevention programmes. Timely and regular access to primary, secondary and tertiary care is critical

to rehabilitation. Other external factors like health sector pressures led to delays in access to services, timeliness between consultations and changes to medical certification practices, which all influence rehabilitation timeframes.

These factors drove the deterioration in our rehabilitation performance. In the year, a claim receiving weekly compensation for less than one year returned to work within 72.8 days on average (this was 69.7 days at the start of the year). There are now ~22,700 claims on the Scheme that have received more than one year of weekly compensation. These deteriorations in performance mean more claims are staying on the Scheme for longer, increasing the costs of claims.

In 2023/24, the Outstanding Claims Liability (OCL) has increased \$8.7 billion and is now \$60.2 billion. The key factors causing this increase are the influenceable deterioration in claims performance (\$3.3 billion). This is reflected in the 12.5% increase in new year costs movement.

ACC invests to meet the future costs of outstanding claims. Our investment objectives seek to maximise investment returns over the long term, while minimising unexpected mismatches between investment income and growth in the OCL. In 2023/24, the investment portfolio returned 7.46% (after costs), below benchmark but generating \$3.6 billion of investment income. The funding ratios for all Accounts deteriorated over the year. The Earners' Account and appropriated Accounts are now all below the funding policy target of 100%.

Over the course of 2023/24 we have developed a very clear understanding of the performance drivers. This understanding has been used to identify the four key priorities and inform development of our prioritised work programme for 2024/25. These priorities are:

- Improve rehabilitation performance.
- Improve Scheme access and experience for Māori and identified population groups.
- Drive an injury prevention culture across Aotearoa New Zealand.
- Deliver an efficient, capable, and resilient organisation.

The Enterprise Plan guides the delivery of work under the four priorities, focusing on maintaining and enhancing key technology enablers, setting ACC up for longer-term system change, and delivering immediate service improvements targeting rehabilitation performance.

To specifically address improving rehabilitation performance, we have developed a 3-year Investment Plan to deliver on this priority. As the scale of change required is significant, the 3-year period balances short-term improvements with advancing systemic longer-term changes. Key elements of this programme are underway.

We are confident that these initiatives, along with our ongoing efforts to improve our service delivery, will help us achieve our strategic goals of Mana Taurite | Equity, Ringa Atawhai | Guardianship and Oranga Whānau | Safe and Resilient Communities.

PBE FRS 48 Service Performance Reporting

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

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

PBE FRS 48 acknowledges the constraints on reporting service performance information are materiality, cost-benefit and balance between the qualitative characteristics. We factor these constraints into the selection process for service performance information. Our measurement framework provides a clear understanding of ACC's priorities and the outcomes we deliver.

Ngā whakatutukinga mahi me ngā putanga | Performance against output delivery

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

- an explanation of the links between our strategic intentions and outputs
- a brief explanation of what is intended to be achieved within each output
- an assessment of our performance under each output
- activity information — this is contextual or service-demand information to provide a greater context for our performance measures. Significant variations in demand can influence the achievement of our performance measure targets.

These performance measures support the assessment of whether our activities are making a difference and the extent to which we are achieving our strategic intentions. The targets set for 2023/24 considered current performance with a general principle of continuous improvement thereafter. They considered and built on the investments we made through the Integrated Change Investment Portfolio in recent years. Although the COVID-19 pandemic has tapered, ACC continues to experience impacts from the disruptions to the health sector during the waves of the pandemic. The targets for 2023/24 were developed based on the best available information.

Bridging measures

In this first year of our strategy Huakina Te Rā, we included measures in our statement of performance expectations that did not have established performance targets (these were termed bridging measures). These metrics give initial visibility on key areas relevant to new strategic goals. As data accumulates, we will be able to set evidence-based performance targets for each measure or identify new measures to provide the critical indications of progress.

Breakdown of revenue and costs by output class

The breakdown on revenue and costs incurred compared with expected revenue and costs reported in the Service Agreement 2023/24 is as follows:

Table 8: Actual versus expected revenue and costs by output class

\$ million	Administration		Claims paid		Revenue	
	Actual	Budget	Actual	Budget	Actual	Budget
Output class 1 — Injury prevention	80	103				
Output class 2 — Levy engagement and collection	20	20			6,409	6,249
Output class 3 — Investment management	75	71			3,545	3,009
Output class 4 — Claims management	662	630	7,180	7,004		
Total	837	824	7,180	7,004	9,954	9,258
Other operating costs	68	76				
Total ACC	905	900	7,180	7,004	9,954	9,258

Aligning our strategic intentions with our outputs

The delivery of our outputs is supported by our three externally focused strategic intentions.

Table 9: Alignment of strategic intentions with outputs

Strategic Intentions	Output	How the output supports the delivery of the goal
Mana Taurite Equity	Output 1: Injury prevention	By working with hapū, iwi, and community-based providers and government agencies to co-design services and interventions.
	Output 2: Levy engagement and collection	By ensuring funding and resources are allocated in ways that address the needs of all people.
	Output 4: Claims management	By actively participating in meaningful partnerships with hapū, iwi, and communities to reduce disparities in access, service experience, and outcomes.
Ringa Atawhai Guardianship	Output 1: Injury prevention	By minimising the incidence and severity of personal injury to reduce the economic, social, and personal impacts on people and communities.
	Output 2: Levy engagement and collection	By recommending levies that are sufficient to cover the costs of claims incurred in each year and collecting the levies approved by Cabinet.
	Output 3: Investment management	By investing effectively in order to meet the future costs of claims from injuries already incurred so the collected levy is most effectively managed.
	Output 4: Claims management	By balancing the quality, efficiency, and effectiveness of claim services delivered to clients.
Oranga Whānau Safe and Resilient Communities	Output 1: Injury prevention	By building whānau and community resilience through a focus on intervening early before and after injury to reduce harm.
	Output 4: Claims management	By partnering to deliver services that support whānau and return people to independence. This will contribute to whānau and community wellbeing.

Output 1: Injury Prevention

Our strategy Huakina Te Rā is about a sustainable future where we work in partnership with whānau, hapū, iwi, communities, employers and service providers to support all people in Aotearoa New Zealand to stay safe and recover from injury. This vision is for a future where ACC and our partners help all people and their communities to have the freedom to live good lives.

While most of our clients are getting the support they need from ACC when they need it, our evidence suggests some groups benefit less from the Scheme than others. Equity is at the core of Huakina Te Rā and, more widely, is recognised as a critical health system response to inequitable differences in health outcomes for people living in Aotearoa New Zealand. We are undertaking work to ensure that the needs of our future customers are met through shifting our emphasis from a focus on injury to a focus on prevention and the whole person and their interactions across the system. Injury prevention initiatives are key to our work. Through these we aim to minimise the incidence and severity of personal injuries to reduce the economic, social and personal impacts on people and communities.

This accountability, along with our responsibility to safeguard Scheme sustainability for present and future generations, means that injury prevention is carefully targeted. We can only undertake an injury prevention activity if it is likely to result in a cost-effective reduction in actual or projected levy rates or the Non-Earners' appropriation. This requirement means that we focus our efforts on injuries that have the greatest impacts on the Scheme, such as high-cost and high-volume claims that affect claim costs, the OCL, and levies. We also work with non-government organisations, community groups and other government agencies so that the activities and funding are effective. This coordination role is as important as directly funding injury prevention interventions.

Performance summary

In 2023/24, we spent \$80 million in injury prevention activity to reduce the incidence and severity of injury, as demonstrated by the following performance measures.

Table 10: Performance measures – injury prevention

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Target 2023/24	Target met?
Return on investment (injury prevention) ^{2, 3}	\$2.03:\$1	\$1.81:\$1	\$1.86:\$1	\$1.72:\$1 to \$1.92:\$1	Achieved
Claim lodgement rate for Māori ³	254.0	271.4	272.4	Bridging measure ⁴	
Claim lodgement rate for other priority populations	New measure	New measure	Not measured	Bridging measure ⁴	

² Excluding WorkSafe New Zealand investment.

³ Historical results (pre-2023/24) have not been previously audited.

⁴ Bridging measures do not have established performance targets. These metrics give initial visibility on key areas relevant to new strategic goals. As data accumulates, evidence-based performance targets will be set.

Injury prevention

The Return on Investment (injury prevention) increased in 2023/24. Two key components to the ROI calculation increased this year: the number of claims prevented; and the estimated lifetime costs for the injuries prevented. The estimated lifetime costs for injuries prevented increased, reflecting increasing rehabilitation costs and timeframes, and other factors like inflation movements. Stronger-than-forecast performance prevented more claims than expected in 2023/24. This better-than-expected prevention of claims increased the ROI, with ~75% of the claims prevented from four programmes: Falls, Netball, Football and Farmstrong. Young Driver and Motorcycle, both high-value programmes, also prevented more claims than expected.

Scheme access

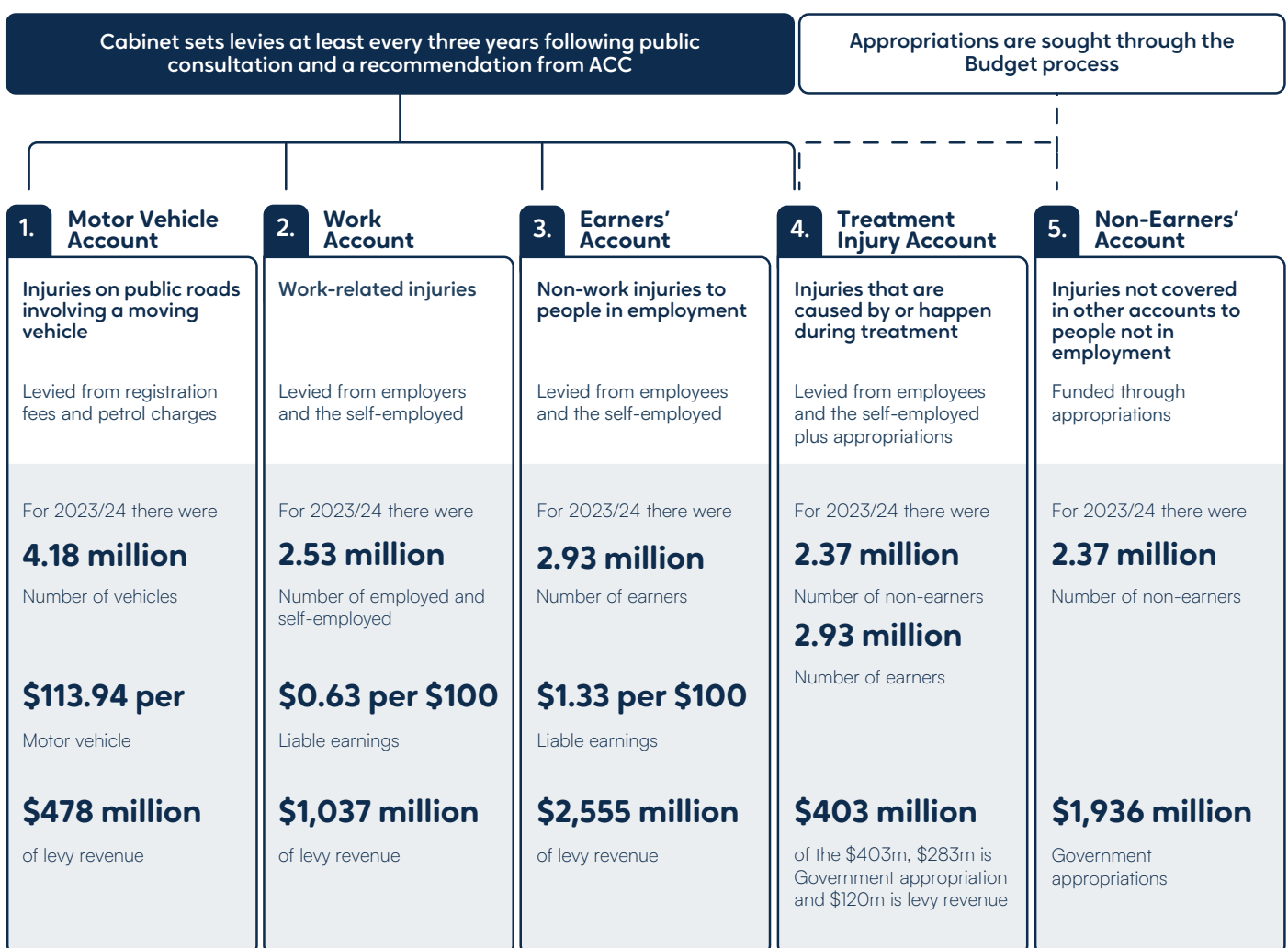
The number of new claim registrations for Māori clients increased this year. This is an increase of one claim per 1,000 population in 2023/24, compared with an increase for non-Māori of 15 per 1,000. We are unable to measure the claims lodgement rate for other identified populations for 2023/24. This measure was to be developed to meet the requirements of the Accident Compensation (access Reporting and Other Matters) Amendment Act 2023. The Amendment Act required us to consult publicly on the definition of identified populations. This was completed in the final quarter of 2023/24 and confirmed the other identified population groups are Pacific People, Asian People and disabled people. The first Access Report is expected to be published as a standalone report in January 2025 and will include information on levels of disparities in access for Māori and the other identified population groups.

Output 2: Levy engagement and collection

The Scheme is managed through five Accounts, with each providing cover for a specific grouping of injuries. For us to commission and deliver services, we must collect revenue. Through our levy-setting process we calculate the future revenue needs for each Account and ensure that funding and resources are allocated in a way that addresses the needs of all people. 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. Following approval, we manage the process of levy invoicing and collection.

Figure 2 shows the number of funders, the levy and appropriation revenue, and the currently approved levy rates for each Account for 2023/24.

Figure 2: Sources of account funding



Performance summary

In 2023/24, we spent \$20 million in levy engagement and collection activity, as demonstrated by the following performance information.

Table 11: Performance measures – levy engagement and collection

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Target 2023/24	Target met?
New year costs movement ⁵	New measure	1.6%	12.5%	0%	Not achieved
Business customer satisfaction ⁵	61%	53%	59%	56%	Achieved

The new year costs movement reflects whether we are keeping our influenceable costs reasonable to ensure financial sustainability. Any increase in new year costs means that either the levies and/or appropriations need to increase relative to what was previously expected, or the expected future funding ratios will decline. This calculation includes the impact of changes to rehabilitation performance, new claim volumes, claims handling costs and other operational costs.

One of the key drivers of the new year costs movement (excluding legislation, policy changes and economics) for 2023/24 has been deteriorating weekly compensation rehabilitation rates. There is also an increase from higher-than-expected ambulance and public health acute services costs.

Expected future lifetime claims costs in the levied Accounts remain significantly higher than levy income. Some of this is expected as levied Accounts were above the funding target at the previous levy consultation, so levies were intentionally set below the level of the future lifetime claims costs.

The Non-Earners' and the Non-Earner's portion of the Treatment Injury Account are both below the funding target and will require appropriations to be set above the level of the future lifetime claims costs to become fully funded.

Funding ratios

The financial sustainability of each Account is measured by the funding ratio. The funding ratio is the measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each Account, expressed as a ratio for each Account. The calculation of the applicable assets and liabilities is defined in the funding policy.⁶

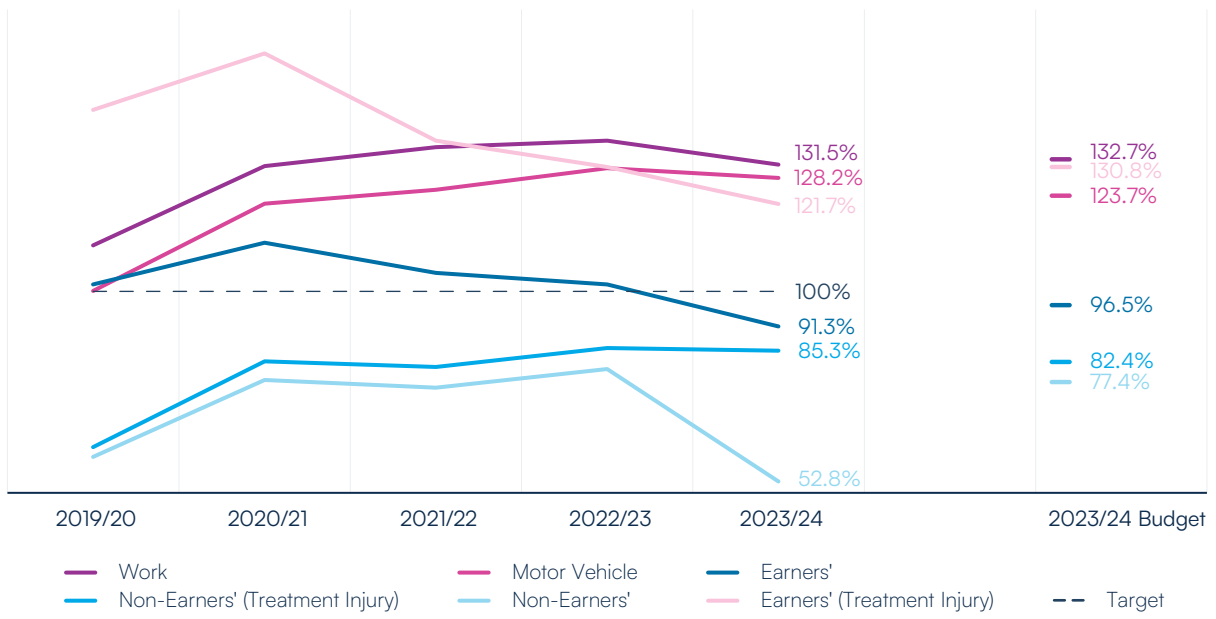
Funding ratios provide an indication of the funding adequacy of each Account in relation to the funding policy. Each Account operates independently and cannot cross-subsidise another Account.

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

⁵ Historical results (pre-2023/24) have not been previously audited.

⁶ Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts (Gazette No. 2021-go1226).

Figure 3: Funding ratios by account



Output 3: Investment management

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

Serious injuries can require ongoing expenditure for years, and sometimes decades, into the future. Unanticipated rising costs, increasing 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. To manage this risk, 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.

ACC's investment objectives seek to maximise investment returns over the long term, while minimising unexpected mismatches between investment income and growth in the OCL. 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 cashflow requirements and provide a partial offset against the risk of declines in interest rates.

Performance summary

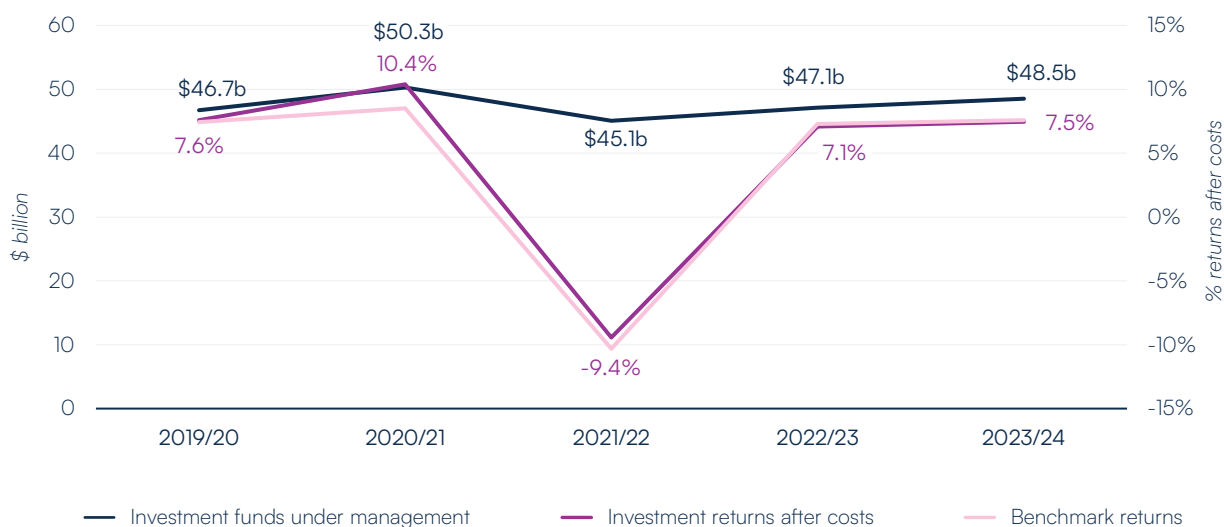
In 2023/24, we spent \$75 million in investment management activity, as demonstrated by the following performance measures.

Table 12: Performance measures – investment management

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Target 2023/24	Target met?
Investment performance after costs relative to benchmark	+0.94%	-0.20%	-0.11%	+0.15%	Not achieved

ACC's Reserves Portfolio delivered a return of 7.46% after costs, underperforming benchmarks by 0.11%. Strong gains created by interest rate positioning in our fixed interest portfolios were offset by underperformance of our active management decisions in global equity portfolios. The value of \$100 invested in 1992 has grown to \$1,692. Further information on our investment performance is included in Appendix 1: Investment Statement on page 172.

Figure 4: Total investment funds and investment returns



Output 4: Claims management

Our purpose is to improve lives every day through a focus on prevention, care, and recovery for all people in Aotearoa New Zealand who are affected by injury. 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.

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

To achieve the best outcomes for our clients, we are focused on building strong, connected and trusting partnerships with whānau, hapū, iwi, communities, employers and service providers. By connecting closely with partners, we enable clients to access the right treatment and rehabilitation services at the right time. This enables a simple, seamless, and effective delivery of treatment and rehabilitation services.

At the same time, we are listening closely to the needs of our clients and partners. We recognise that injury prevention and recovery are not solely medical issues, but rather complex social and cultural issues that require a holistic approach.

The inclusion of diverse voices is crucial to this. Advanced analytics enable us to understand our claims with increasing depth, but our data only tells us about those who access the Scheme. Our relationships with hapū, iwi, whānau and communities are vital to helping us hear what is needed to realise equity of access, experience and outcomes for all people of Aotearoa New Zealand.

The increasing recognition of mātauranga Māori and use of Te Ao Māori approaches in our case management are important foundational steps for ACC as we work to achieve the goals of our strategy Huakina Te Rā. We are committed to ongoing learning and evolution.

Performance summary

In 2023/24, we spent \$662 million in claims management activity, as demonstrated by the following performance information.

Table 13 shows recent trends in the types of claims that we have received and accepted. Claim volumes from 2019/20 have been affected by COVID-19 and related lockdowns. This has distorted growth rate trends for new claims.

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

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

Table 13: Historical claim volumes, by type

Claim type	Definition	2019/20	2020/21	2021/22	2022/23	2023/24
Registered claims	Total number of registered claims in the period	1,861,875	2,099,429	1,803,851	1,967,160	2,038,410
Medical fees only claims	Total number of medical fees only claims in the period	1,582,421	1,785,093	1,518,002	1,665,081	1,716,880
Other entitlement claims	Total number of entitlement claims (excluding weekly compensation) that receive payments in the period	134,182	143,875	131,294	148,137	158,374
Weekly compensation claims	Total number of weekly compensation claims that receive payments in the period	125,375	144,253	143,611	155,299	164,545
Long-term weekly compensation claims	Total number of clients receiving weekly compensation for more than one year as at 30 June	15,996	17,401	18,930	19,995	22,737
New serious injury claims	Total number of new serious injury claims in the period	256	234	295	318	439
Fatal claims	Total number of fatal claims in the period	1,489	1,472	1,490	1,651	1,383

We enable clients to receive the appropriate entitlements under the Scheme, while at the same time monitoring expenditure against budgeted costs.

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

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

Table 14: Expenditure for key claims costs

Key claims costs \$m	Actual 2021/22	Actual 2022/23	Actual 2023/24	Budget 2023/24
Weekly compensation	1,848	2,102	2,474	2,245
Medical treatment	904	1,041	1,207	1,252
Social rehabilitation	1,039	1,201	1,402	1,369
Public health acute services	651	733	815	813
Elective surgery	411	498	566	585

Information on significant variances against budget is included in Note 20 of the notes to the financial statements on page 161.

Table 15: Performance measures – claims management

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Target 2023/24	Target met?
Overall client satisfaction — Total ⁷	74%	69%	67%	73%	Not achieved
Overall client satisfaction — Difference between total and Māori clients ⁷	-2% (72%)	0% (69%)	-2% (65%)	+/- 2%	Achieved
Health provider satisfaction ⁷	60%	57%	55%	60%	Not achieved
Public trust and confidence — Total	54%	57%	61%	54%	Achieved
Public trust and confidence — Difference between total and Māori ⁷	-5% (49%)	-5% (52%)	-4% (57%)	+/-2%	Not achieved
ACC listened to and understood our whānau ⁷	76%	72%	69%	76%	Not achieved
Return to independence for those not in the workforce — All clients	85.4%	79.4%	79.2%	84.5%	Not achieved
Return to independence for those not in the workforce — Difference between all clients and Māori clients ⁷	-2.1% (83.3%)	-2.0% (77.4%)	-2.9% (76.3%)	+/-4.0%	Achieved
Average weekly compensation days paid — All clients ⁷	72.1 days	69.3 days	72.8 days	67.6 days	Not achieved
Average weekly compensation days paid — Difference between all clients and Māori clients ⁷	0.6 days (71.5 days)	2.3 days (67.0 days)	0.8 days (71.9 days)	+/- 2 days	Achieved
Sustained return-to-work rate ⁷	New measure	New measure	66%	Baseline established	Not Achieved
Growth rate of the Long-Term Claim Pool — All clients	+8.8%	+5.6%	+13.7%	+5.4%	Not achieved
Growth rate of the Long-Term Claim Pool — Difference between all clients and Māori clients ⁷	1.2% (+7.6%)	-4.5% (+10.1%)	-1.2% (+14.9%)	+ / -2.5%	Achieved
Percentage of total expenditure paid directly to clients or for services to clients	87.9%	89.8%	89.6%	89.4%	Achieved

Customer sentiment

Public trust and confidence measures general sentiment towards ACC. This year our result improved to 61% and is the highest result recorded to date. Māori public trust and confidence is notably higher than the same period last year. The differential result for Māori is narrower this year, but not within the target range.

Client satisfaction results started to stabilise in the latter part of 2023/24. Māori client satisfaction has declined to 65% but has met the differential target. The client satisfaction results represent the sentiment of clients we are currently supporting. The challenges impacting short-term rehabilitation performance are also impacting client satisfaction. We expect our initiatives to improve rehabilitation performance will positively influence overall client satisfaction.

Health provider satisfaction declined to 55% and is the lowest result recorded to date. Low results continue to be driven by the satisfaction of general practitioners and physiotherapists who need to interact with ACC more regularly than other provider cohorts. Drivers to improve provider satisfaction include better communication regarding patients, easier access to frontline staff and quicker responsiveness to requests. It is expected actions to improve rehabilitation performance will improve aspects of the case management model that drive interactions with providers.

⁷ Historical results (pre-2023/24) have not been previously audited.

Rehabilitation

Rehabilitation performance challenges remained in 2023/24. Key drivers include internal factors such as the efficiency and effectiveness of rehabilitation activity delivered by the case management model, workforce capacity and capability, and the volume and composition of claims being managed. External factors include health sector performance, wider economic influences that impact on claim volumes and our clients, and other shocks such as extreme weather events and pandemics.

Short-term weekly compensation rehabilitation performance declined this year, which flowed into our longer-term rehabilitation performance. The return to independence for those not in the workforce results stabilised in the second half of the year. Delayed billing from suppliers has continued to impact this result, but it is not the sole driver for the target not being met.

More managed claims staying on the scheme for longer durations, combined with systemic workforce capacity and capability pressures, makes it increasingly challenging to support clients back to work and independence and address rehabilitation performance challenges.

Reducing the time taken to rehabilitate clients and supporting clients in the Long-Term Claims Pool to achieve sustainable outcomes is required to improve rehabilitation performance. We expect our dedicated Investment Plan to sustainably improve rehabilitation performance by addressing these challenges. Other targeted interventions implemented in 2023/24 to address specific performance challenges include: a focus on early resolution of customer demand at the Contact Centre; creating efficiencies in how client payments are processed; and improving the timeliness of elective surgery decisions.

All rehabilitation results for Māori clients ended the year within the target range compared to total population. These results reflect the differentials that currently exist in the access, outcomes and experiences of Māori. The differences are more than numbers. They represent the lived experiences of individuals we exist to serve. Our dual-framed intentions of Mana Taurite | Equity seek to end such inequitable differences. Our performance targets considered historical trajectories. We use supporting analysis to understand the reasons for differences between populations and options for programme improvements.

Organisational health and capability

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

Our people

Table 16: Performance measures – Our people

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Target 2023/24	Target met?
Employee engagement ⁸	4.20	4.22	Not available	4.24	Not achieved
Total recordable injury frequency rate	2.0	2.8	6.0	<3.0	Not achieved
Lost-time injury frequency rate	1.8	2.4	2.9	<2.0	Not achieved

Performance summary

For our customers to have great experiences, we need our people to have great experiences. We know there are several drivers of engagement for our people. These drivers include equitable access to flexibility and hybrid working, wellbeing leave, good leadership and a supportive culture. Access to and a focus on development opportunities, as well as clear career progression pathways, are also important. To allow our people the time and space to focus on the organisational change proposal that was consulted on across ACC, we postponed the 2024 Engagement Survey until quarter two 2024/25. This means we do not have a result for 2023/24.

Both injury frequency rates for total and lost-time injuries have shown a consistent rise over the year. Almost all our injuries result from ergonomics and office-based tasks. We have an online training course on ergonomics and working in comfort with an over 95% completion rate by staff. Based on our injury data there is no greater risk of injury working from home than in our ACC offices. All elements of wellbeing (from physical environment to fatigue and mental health) are causal factors for musculoskeletal injuries and are included in the wellbeing strategy we are implementing.

Our information and systems

Table 17: Performance measures – Our information and systems

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Target 2023/24	Target met?
The number of category 3, 4 and 5 privacy breaches ⁹	6	3	10	< 3 category 3 or 4 breaches per year No category 5 breaches	Not achieved
Overall operational system availability	99.9%	99.9%	99.9%	99.7%	Achieved

Performance summary

In 2023/24, 1,604 privacy incidents were recorded, of which 815 were privacy breaches. Of these breaches, 10 were classified as a category 3, 4 or 5. Privacy remains an important focus across the organisation. We continue to encourage our people to report issues, and therefore anticipate that both reported incidents and breach numbers may continue to increase. Better reporting of incidents demonstrates our increasing privacy maturity towards raising awareness and embedding privacy practices.

⁸ Historical results (pre-2023/24) have not been previously audited.

⁹ As defined by the Government Chief Privacy Officer's privacy matrix

Ētahi atu inenga mahi | Other performance measures

Asset performance measures

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

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

Table 18: Asset performance measures

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24
Information and communications technology			
Utilisation: Percentage of active ACC computer devices that are within the accepted lifecycle target.	85%	95%	86%
Functionality: Total operational ICT spend per FTE	\$24,917	\$25,847	\$27,210
Availability: Overall operational system availability	99.9%	99.9%	99.9%
Condition: Number of critical faults for key ACC systems per annum	1	1	1
Condition: Percentage of key systems with a condition rating of Good or Excellent	84%	84%	88.2%
Property			
Utilisation: Square metres (m ²) of leased area per FTE	12.7m ² /FTE	14.3m ² /FTE	11.8m ² /FTE
Condition: Percentage of total leased area with a current code compliance certificate/building warrant of fitness	100%	100%	100%
Functionality: Percentage of total leased area that meets or exceeds the ACC security standards	100%	100%	100%

Appropriation measures

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

Table 19: Appropriation measures

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Target 2023/24	Target met?
Sexual abuse assessment and treatment services					
Increase in the total number of first presentations to Sexual Abuse Assessment and Treatment Services (SAATS)	1,860	1,865	1,829	3,395	Not achieved
Public health acute services					
Agreement with Ministry of Health for public health acute services signed off no later than end of year to which it applies	Agreement reached	Agreement reached	Agreement reached	Agreement reached	Achieved



Tauāki Pūtea
Financial Statements



Tauāki Pūtea | Financial statements

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2024

	Note	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Levy revenue and Government appropriation	3	6,409	5,954	6,249
Claims paid	6.1	7,180	6,191	7,004
Claims handling costs	5.1	662	579	630
Increase in outstanding claims liability	6.3(a)	8,683	1,265	3,292
Total claims incurred	6.1	16,525	8,035	10,926
Increase (decrease) in unexpired risk liability	6.6	426	(10)	55
Other underwriting costs	5.1	168	151	199
Deficit from underwriting activities	6.2	(10,710)	(2,222)	(4,931)
Investment revenue	4	3,583	3,259	3,009
Investment costs	4 & 5.1	(113)	(126)	(71)
Other revenue		1	17	-
Other costs	5.1	-	(17)	-
Net (deficit) surplus		(7,239)	911	(1,993)
Total comprehensive revenue and expense for the year		(7,239)	911	(1,993)

Consolidated statement of changes in reserves (equity)

For the year ended 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Total Account reserves			
Balance at the beginning of the year (deficit)	(5,128)	(6,039)	(5,569)
Total comprehensive revenue and expense for the year	(7,239)	911	(1,993)
Balance at the end of the year (deficit)	(12,367)	(5,128)	(7,562)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2024

	Note	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves				
Motor Vehicle Account		1,464	1,678	971
Work Account		2,213	2,742	2,365
Earners' Account		(3,741)	(1,936)	(2,654)
Treatment Injury Account		(2,332)	(2,083)	(2,316)
Non-Earners' Account		(9,971)	(5,529)	(5,928)
Total Account reserves (deficit)		(12,367)	(5,128)	(7,562)
Represented by:				
Assets				
Cash and cash equivalents	9	68	245	193
Cash pledged as collateral	7.4	134	831	-
Receivables	10	520	800	565
Accrued levy revenue	11	3,721	3,396	3,628
Investments	7	51,587	47,420	47,446
Derivative financial instruments	8	321	356	-
Property, plant and equipment, and intangible assets	13	89	108	91
Total assets		56,440	53,156	51,923
Less liabilities				
Cash collateral received	7.4	37	25	-
Payables and accrued liabilities	14	2,693	1,328	671
Derivative financial instruments	8	935	1,179	-
Employee entitlements and provisions	15	92	87	-
Unearned levy liability	6.5	3,080	2,804	2,994
Unexpired risk liability	6.6	1,750	1,324	1,425
Outstanding claims liability	6.3(a)	60,220	51,537	54,395
Total liabilities		68,807	58,284	59,485
Net liabilities		(12,367)	(5,128)	(7,562)

For and on behalf of the Board, which authorised the issue of these financial statements on 18 September 2024.



Dr Tracey Batten

Board Chair

Date: 18 September 2024



David Hunt

Deputy Board Chair

Date: 18 September 2024

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2024

	Note	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Cash flows from operating activities				
Cash was provided from:				
Levy revenue and Government appropriation		6,341	5,865	6,165
Interest		627	838	657
Dividends		449	463	688
Revenue from investment properties and other investments		26	26	20
Other revenue		1	32	1
		7,444	7,224	7,531
Cash was applied to:				
Payments towards claims		7,169	6,252	7,004
Payments towards injury prevention and other operating costs		885	870	865
		8,054	7,122	7,869
Net cash (outflows) inflows from operating activities		(610)	102	(338)
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		71,939	93,667	87,596
Proceeds from sale of collateral		8,981	9,078	-
Proceeds from sale of property, plant and equipment, and intangible assets		-	3	-
		80,920	102,748	87,596
Cash was applied to:				
Payment for investments		72,194	93,830	87,241
Payment for collateral		8,273	8,898	-
Payment for property, plant and equipment, and intangible assets		20	27	24
		80,487	102,755	87,265
Net cash inflows (outflows) from investing activities		433	(7)	331
Net (decrease) increase in cash and cash equivalents		(177)	95	(7)
Cash and cash equivalents — opening balance		245	150	200
Cash and cash equivalents — closing balance	9	68	245	193

The accompanying notes form part of these financial statements.

Reconciliation of the net cash inflows (outflows) from operating activities with the reported net surplus (deficit)

	Note	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Net (deficit) surplus		(7,239)	911	(1,993)
Add (less) items classified as investing activities:				
Realised (gains) losses on sale of investments		(1,183)	121	-
Losses (gains) on disposal of property, plant and equipment, and intangible assets		1	(3)	-
Add (less) non-cash items:				
Depreciation and amortisation	5.2	38	43	38
Unrealised gains on investments		(840)	(1,916)	(1,644)
Other movements in investments		(441)	(144)	-
Movement in employee entitlements and provisions	15	5	17	-
Movement in impairment allowance of claimant debtors		4	(4)	-
Movement in the fair value of levy receivables		(17)	10	-
Increase (decrease) in unexpired risk liability	6.6	426	(10)	55
Increase in outstanding claims liability	6.3(a)	8,683	1,265	3,292
Add (less) movements in working capital items:				
Receivables and accrued levy revenue		(365)	(393)	(286)
Payables and accrued liabilities		42	(89)	(15)
Unearned levy liability	6.5	276	294	215
Net cash (outflows) inflows from operating activities		(610)	102	(338)

The accompanying notes form part of these financial statements.

Reporting and funding by Account

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

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

Sections 166A and 166B of the AC Act require the Government to issue a funding policy setting out the criteria for fully funding the levied Accounts including the Earners' portion of the Treatment Injury Account. Under section 331(1)(3) of the AC Act, ACC must make levy rate recommendations in accordance with that funding policy. The current funding policy was gazetted on 6 April 2021 (Gazette No. 2021-go1226).

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

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

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

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

The accompanying notes form part of these financial statements.

MOTOR VEHICLE ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2024

	Note	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Levy revenue		478	474	476
Claims paid	6.1	839	762	919
Claims handling costs		61	55	60
Increase (decrease) in outstanding claims liability	6.3(a)	603	(64)	706
Total claims incurred		1,503	753	1,685
Increase (decrease) in unexpired risk liability	6.6	43	(3)	20
Other underwriting costs		16	13	17
Deficit from underwriting activities		(1,084)	(289)	(1,246)
Investment revenue		901	903	864
Investment costs		(31)	(36)	(22)
Other revenue		-	-	-
Net (deficit) surplus		(214)	578	(404)
Total comprehensive revenue and expense for the year		(214)	578	(404)

Statement of changes in reserves (equity)

For the year ended 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves — opening balance	1,678	1,100	1,375
Total comprehensive revenue and expense for the year	(214)	578	(404)
Account reserves — closing balance	1,464	1,678	971

Statement of financial position

As at 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves	1,464	1,678	971
Represented by:			
Assets	15,821	15,025	14,525
Less liabilities	14,357	13,347	13,554
Net assets	1,464	1,678	971

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

The accompanying notes form part of these financial statements.

WORK ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2024

	Note	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Levy revenue		1,037	1,025	973
Claims paid	6.1	1,238	1,076	1,236
Claims handling costs		130	112	126
Increase in outstanding claims liability	6.3(a)	755	165	414
Total claims incurred		2,123	1,353	1,776
Increase in unexpired risk liability	6.6	146	10	25
Other underwriting costs		83	69	88
Deficit from underwriting activities		(1,315)	(407)	(916)
Investment revenue		809	602	671
Investment costs		(24)	(27)	(16)
Other revenue		1	-	-
Net (deficit) surplus		(529)	168	(261)
Total comprehensive revenue and expense for the year		(529)	168	(261)

Statement of changes in reserves (equity)

For the year ended 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves — opening balance	2,742	2,574	2,626
Total comprehensive revenue and expense for the year	(529)	168	(261)
Account reserves — closing balance	2,213	2,742	2,365

Statement of financial position

As at 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves	2,213	2,742	2,365
Represented by:			
Assets	13,099	12,578	12,161
Less liabilities	10,886	9,836	9,796
Net assets	2,213	2,742	2,365

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

The accompanying notes form part of these financial statements.

Non-Compliers Fund

Included in the Work Account is the Non-Compliers Fund (the Fund). The Fund was set up to cover employees who were injured while working for an employer who had not taken out accident insurance during the time when the workplace accident insurance market was opened up for competition. The Fund was transferred to ACC following the restoration of ACC as sole provider of workplace accident insurance. The net surplus for the year ended 30 June 2024 for the Fund was \$41,000 (2023: \$36,000). The Fund's reserves as at 30 June 2024 were \$595,000 (2023: \$554,000). The values in this note are rounded to the nearest thousand dollars.

CoverPlus Extra

There were 36,444 (2023: 37,373) CoverPlus Extra policies purchased as at 30 June 2024. 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 \$17 million (2023: \$14 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 \$39 million (2023: \$33 million) were paid from the other Accounts.

The accompanying notes form part of these financial statements.

EARNERS' ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2024

	Note	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Levy revenue		2,555	2,294	2,466
Claims paid	6.1	2,728	2,342	2,601
Claims handling costs		274	239	261
Increase in outstanding claims liability	6.3(a)	2,074	969	1,038
Total claims incurred		5,076	3,550	3,900
Increase (decrease) in unexpired risk liability	6.6	237	(17)	10
Other underwriting costs		35	35	50
Deficit from underwriting activities		(2,793)	(1,274)	(1,494)
Investment revenue		1,017	920	738
Investment costs		(29)	(32)	(17)
Other revenue		-	-	-
Net deficit		(1,805)	(386)	(773)
Total comprehensive revenue and expense for the year		(1,805)	(386)	(773)

Statement of changes in reserves (equity)

For the year ended 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves — opening balance (deficit)	(1,936)	(1,550)	(1,881)
Total comprehensive revenue and expense for the year	(1,805)	(386)	(773)
Account reserves — closing balance (deficit)	(3,741)	(1,936)	(2,654)

Statement of financial position

As at 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves (deficit)	(3,741)	(1,936)	(2,654)
Represented by:			
Assets	15,257	14,229	13,930
Less liabilities	18,998	16,165	16,584
Net liabilities	(3,741)	(1,936)	(2,654)

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

The accompanying notes form part of these financial statements.

TREATMENT INJURY ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2024

	Note	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Levy revenue and Government appropriation		403	363	399
Claims paid	6.1	427	363	410
Claims handling costs		57	50	52
Increase in outstanding claims liability	6.3(a)	529	229	511
Total claims incurred		1,013	642	973
Increase (decrease) in unexpired risk liability	6.6	-	-	-
Other underwriting costs		3	6	7
Deficit from underwriting activities		(613)	(285)	(581)
Investment revenue		378	404	367
Investment costs		(14)	(15)	(8)
Other revenue		-	-	-
Net (deficit) surplus		(249)	104	(222)
Total comprehensive revenue and expense for the year		(249)	104	(222)

Statement of changes in reserves (equity)

For the year ended 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves — opening balance (deficit)	(2,083)	(2,187)	(2,094)
Total comprehensive revenue and expense for the year	(249)	104	(222)
Account reserves — closing balance (deficit)	(2,332)	(2,083)	(2,316)

Statement of financial position

As at 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves (deficit)	(2,332)	(2,083)	(2,316)
Represented by:			
Assets	6,355	5,878	5,867
Less liabilities	8,687	7,961	8,183
Net liabilities	(2,332)	(2,083)	(2,316)

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

The accompanying notes form part of these financial statements.

NON-EARNERS' ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2024

	Note	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Government appropriation		1,936	1,798	1,935
Claims paid	6.1	1,948	1,648	1,838
Claims handling costs		140	123	131
Increase (decrease) in outstanding claims liability	6.3(a)	4,722	(34)	623
Total claims incurred		6,810	1,737	2,592
Increase (decrease) in unexpired risk liability	6.6	-	-	-
Other underwriting costs		31	28	37
(Deficit) surplus from underwriting activities		(4,905)	33	(694)
Investment revenue		478	430	369
Investment costs		(15)	(16)	(8)
Other revenue		-	-	-
Net (deficit) surplus		(4,442)	447	(333)
Total comprehensive revenue and expense for the year		(4,442)	447	(333)

Statement of changes in reserves (equity)

For the year ended 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves — opening balance (deficit)	(5,529)	(5,976)	(5,595)
Total comprehensive revenue and expense for the year	(4,442)	447	(333)
Account reserves — closing balance (deficit)	(9,971)	(5,529)	(5,928)

Statement of financial position

As at 30 June 2024

	Actual 2024 \$M	Actual 2023 \$M	Unaudited Budget 2024 \$M
Account reserves (deficit)	(9,971)	(5,529)	(5,928)
Represented by:			
Assets	5,908	5,446	5,447
Less liabilities	15,879	10,975	11,375
Net liabilities	(9,971)	(5,529)	(5,928)

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

The accompanying notes form part of these financial statements.

Ngā tāpiringa o te tauāki pūtea

| Notes to the financial statements

For the year ended 30 June 2024

1. Statement of accounting policies

1.1 Reporting entity

Accident Compensation Corporation (ACC) is designated as a Crown Agent under the Crown Entities Act 2004. ACC provides comprehensive 24-hour, no-fault personal injury cover for all New Zealand residents and visitors to New Zealand.

ACC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements for ACC are for the year ended 30 June 2024, and were authorised for issue by the Board on 18 September 2024.

1.2 Basis of preparation

ACC is a Tier 1 entity and the financial statements and statement of performance have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements and statement of performance comply with Public Benefit Entity Standards (PBE Standards) and have been prepared in accordance with the Accident Compensation Act 2001 (AC Act) and the Crown Entities Act 2004.

The financial statements consolidate the financial statements of ACC and its sole subsidiary, Shamrock Superannuation Limited, a non-trading New Zealand entity.

The financial statements are prepared on a historical cost basis unless otherwise stated. All balances are expressed in New Zealand dollars and rounded to the nearest million dollars (\$M) unless otherwise specified.

The budget figures are derived from the Service Agreement as approved by the Board in June 2023. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements. The budget figures are unaudited.

Standard issued and not yet effective and not early adopted

PBE IFRS 17 Insurance Contracts

The public sector modified version of PBE IFRS 17 *Insurance Contracts* was issued in June 2023. This standard supersedes PBE IFRS 4 *Insurance Contracts*. It is effective for periods beginning on or after 1 January 2026, with early adoption permitted.

ACC has commenced work to assess the impact that this new standard will have. The scope of the standard and the effect on the recognition, measurement, presentation and disclosure of items in the financial statements is yet to be quantified.

Comparatives

The following material comparatives have been reclassified to align with the current period's presentation or disclosure. There are other reclassifications of comparatives in the financial statements but the details are not disclosed because they are not considered to be material. Most of the reclassifications are made to meet the requirements of the accounting standards and/or to provide a fair presentation of the financial statements.

In the statement of financial position for the year ended 30 June 2023 securities held under repurchase agreements and reverse repurchase agreements were included as net within investments (specifically New Zealand government securities and overseas debt securities). This is now presented gross and within investments, receivables, and payables and accrued liabilities. The reclassifications are in the consolidated statement of financial position, statement of financial position by account, Note 7 Investments, Note 10 Receivables, Note 12 Financial risk management and Note 14 Payables and accrued liabilities. See Note 7.3 Repurchase agreements for the amount for 2023.

In the statement of cash flows for the year ended 30 June 2023, under cash flows from operating activities, cash applied to payments towards claims, injury prevention and other operating costs was one category. This is now separated into two categories — payments towards claims, and payments towards injury prevention and other operating costs. This provides more useful information and aligns more closely with the categorisation of expenses used in the statements of comprehensive revenue and expense.

In the notes to the financial statements for the year ended 30 June 2023 in:

- Note 4 Net investment revenue, the change in fair value of investment properties was included as part of the change in fair value of financial instruments classified at fair value through surplus or deficit. The change in fair value of investment properties is shown in a separate line in these financial statements.
- Note 6.3(c) Claims development, the layout of the table has changed. Previously, only claim costs for the seven most recent accident years were presented in these columns. Any claim costs prior to that were discounted and added as one amount to the outstanding claims figure. In these financial statements, a column for 2016 and prior years is included, along with columns for all subsequent years, and the discount for each of the years is separately disclosed.
- Note 12.5 Liquidity risk, the disclosure for the net settled derivatives outflows was the net settled outflows for derivative assets and liabilities. The disclosure is now the net settled outflows for derivative liabilities.
- Note 13 Property, plant and equipment, and intangible assets, movements in the net carrying amount of assets was presented on a net basis. The movements in cost and accumulated depreciation are now shown separately to arrive at the net carrying amount at the end of each period.

1.3 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 re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

2.1 Outstanding claims liability

In estimating the OCL, a central estimate plus a risk margin is adopted. Due to the uncertainty in the OCL estimate, and the number of assumptions required in its determination, it is highly likely that the actual experience will differ from the stated estimate. Standard actuarial techniques are used to formulate the central estimate, taking into account trends in historical claims data, reviewing current conditions that may impact future trends, and scanning the horizon for possible changes that may affect trends in the future.

Where possible, both the number of clients receiving payments and the average amount of these payments are analysed separately. When claim numbers are too unstable for this method to be reliable, an analysis of aggregate payments is undertaken.

The following actuarial valuation techniques are used to project the various benefit types:

- payment per active claim method
- individual claim projection method.

Some elements of the claims liability are subject to more uncertainty than others. For past injury years, a higher proportion of the ultimate number of claims for each year will have been reported. These reported claims will have a longer history of payments and a smaller outstanding amount, all other things being equal, than claims reported in more recent injury years. Incurred but not reported (IBNR) claims have no payment history and must be estimated in their entirety. Hence the OCL estimate for more recent injury years will be subject to more uncertainty.

The general sources of uncertainty include:

- actual future claim costs that differ from those expected due to unanticipated changes to Scheme utilisation, inflationary trends and claim durations
- the actual timing of claim payments differs from those expected
- unanticipated changes in operational processes that affect claim payments
- future advances in medicine and treatment that may impact recovery periods, cost structures and Scheme utilisation
- periodic review of ACC legislation, policy decisions and court decisions, which can result in entitlements that are not anticipated.

In general, the largest area of uncertainty affecting the OCL is the future costs associated with personal and social rehabilitation support services provided to individuals experiencing significant disability as a result of an injury. In particular the cost of personal care services whether they be home or residential-based care. These may involve anything from helping with daily duties to providing nursing care services. The number of hours per day, types of service required, provider type and average costs per hour are key assumptions that need to be projected decades into the future. The estimate carries with it a wide range of uncertainty, due to the length of the projection period and the variation of disabilities and/or demonstrated independent participation by the clients.

The estimated future cash payments are discounted using a risk-free rate based on the yield curves of New Zealand Government bond rates.

2.2 Gradual process claims

These claims are a result of injuries that have occurred due to prolonged exposure in the workplace to conditions that result in some form of harm. The most common examples of such claims are those for asbestosis (due to prolonged exposure to asbestos dust in the atmosphere) and hearing loss (due to prolonged exposure to excessive noise).

Due to the nature of these injuries, many years can pass between exposure to the conditions that result in harm and the individual receiving treatment or suffering incapacity.

A gradual process claim can be made when a person is regarded as suffering personal injury caused by work-related gradual process, disease or infection which is in accordance with section 37 of the AC Act. The claim can be made at the earlier of either the date that the person first receives treatment or the date that the injury first results in incapacity.

ACC's accounting policy is to recognise a financial liability for gradual process injury only when a claim is made. The effect of this policy is that until the injury presents itself such that the person receives treatment or suffers incapacity and makes a claim, ACC does not record a liability in the OCL.

2.3 Sensitive claims

These claims are a result of mental injuries that have been caused by certain criminal acts as set out in Schedule 3 of the AC Act (predominantly serious sexual offences) under the provision in section 21. In prior years, ACC interpreted the AC Act such that the date for a mental injury arising from sexual abuse was the date on which the person first received treatment. In December 2023, a Court of Appeal decision ruled that for claimants who obtain cover for a mental injury arising from sexual abuse, it is the date of mental injury, rather than the date of first treatment, which should be used to determine if a claimant is a potential earner under section 6 of the AC Act. This has resulted in a larger than expected OCL increase for the 2024 financial year as a liability must be held for incurred but not reported claims from the date of the mental injury, rather than from the date of first treatment, in respect of potential claims for sexual offences, usually where the individual is aged under 18 when the offence or offences took place. This also means that many more claimants whose sexual offences happened, usually where the individual is aged under 18 when the offence or offences took place, are likely to be eligible for backdated loss of potential earnings. Most of the provision for policy change required as a result of the court decision relates to sensitive claims, see Note 6.2 Actuarial result.

2.4 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.

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

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

2.5 Investments

Where the fair values of investment assets recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include inputs derived from observable market data where possible. Where observable market data is not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk and model inputs such as economic growth, cash forecasts and discount rates.

2.6 Going concern assumption

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

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

3. Levy revenue and Government appropriation

Overview

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

Accounting policy

Levy revenue is recognised in the levy period to which it relates. Levy revenue relating to levy periods that commenced prior to balance date is accrued if not yet invoiced. This accrual is estimated based on expected liable earnings at the applicable levy 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.

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

	2024 \$M	2023 \$M
Levy revenue	4,206	3,925
Fair value effect of credit risk	21	(21)
Fair value write down of levy receivables	(36)	(11)
Total levy revenue	4,191	3,893
Government appropriation	2,218	2,061
Total levy revenue and Government appropriation	6,409	5,954

4. Net investment revenue

Overview

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

Each of ACC's Accounts 'holds' a portion of different investment portfolios. These holding proportions are adjusted whenever an Account places additional funds into, or withdraws funds from, an investment portfolio. Investment revenue from each investment portfolio is allocated between the Accounts daily, based on the Accounts' daily proportionate 'ownership'.

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

Accounting policy

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

- dividends on equity securities are recorded as revenue on the ex-dividend date (date security starts trading without the value of its next dividend payment)
- distributions from unit trusts are recognised when received, which could be in the form of additional units or cash
- interest revenue is recognised as it accrues, which could be in the form of additional investment units or cash
- investment gains (losses) represent the realised and unrealised movements in the investment values. Realised gains (losses) occur at the time of disposal of a financial instrument and are calculated as the difference between the proceeds received and their carrying value. Unrealised gains (losses) represent the difference between the carrying value of the financial instrument and their fair value at year end.

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

	2024 \$M	2023 \$M
Interest, dividend and rental revenue		
Interest revenue		
Financial instruments designated at fair value through surplus or deficit	1,173	909
Financial instruments classified as held for trading	(240)	(78)
	933	831
Rental revenue from investment properties	18	18
Revenue from service concession arrangement	7	7
Dividend and distribution revenue	604	610
Other fee revenue	1	1
Gross interest, dividend and rental revenue	1,563	1,467
Gains (losses) on investments		
Change in fair value of financial instruments designated at fair value through surplus or deficit	687	1,553
Change in fair value of financial instruments classified as held for trading	1,362	284
Change in fair value of investment properties	(29)	(45)
Net gains on investments	2,020	1,792
Investment revenue	3,583	3,259
Investment costs		
Direct investment costs		
Foreign withholding tax	12	16
Other direct investment costs	26	25
Total direct investment costs	38	41
Investment management costs	75	85
Total investment costs	113	126
Net investment revenue	3,470	3,133

5. Analysis of operating expenses

Overview

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

Accounting policy

Employee benefits

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

Other operating expenses

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

Operating leases

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

5.1 Expenses by function

	2024 \$M	2023 \$M
Claims handling costs	662	579
Other underwriting costs	168	151
Investment costs	113	126
Other costs	-	17
Total operating expenses	943	873

5.2 Expenses by nature

	2024 \$M	2023 \$M
Personnel expenses		
Salaries and wages	415	364
Employer contributions to defined contribution schemes	39	34
Contractors and temporary staff	8	12
Training and professional development	3	3
Termination benefits and other personnel restructuring costs	12	-
Other personnel costs	10	7
Total personnel expenses	487	420
Other operating expenses		
Computer and telecommunication costs	94	84
Strategic change programme	81	92
Rental and operating lease costs	25	22
Injury prevention and other programmes	80	59
External levy collection	6	6
External investment costs	46	61
Direct investment costs	38	41
Consulting and other professional services	6	7
Depreciation, amortisation, impairment and losses (gains) on disposal of property, plant and equipment and intangibles	39	43
Other operating expenses	41	38
Total other operating expenses	456	453
Total operating expenses	943	873

5.3 Contractors and consultants

ACC uses contractors and consultants to provide backfill for vacant positions or cover short-term demand, where specialist skills or independent external advice are needed (such as specific programmes or projects), and in periods of peak demand. In Note 5.2 Expenses by nature, contractor and consultant costs are allocated where appropriate to the expense categories to which the work relates.

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

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

	2024 \$M	2023 \$M
Operating expenses		
Contractors	23	33
Consulting services	9	13
Total operating expenses — contractors and consultants	32	46
Capital expense		
Contractors capitalised to assets	-	1
Total capital expense — contractors and consultants	-	1
Total contractors and consultants	32	47

5.4 Auditor's remuneration

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

	2024 \$000	2023 \$000
Audit of the financial statements and statement of performance	933	868
Other assurance services		
Greenhouse gas emissions 2024	67	-
Greenhouse gas emissions 2023	-	74
Greenhouse gas emissions 2022	-	58
Cybersecurity	61	72
Independent quality	-	196
Total other assurance services	128	400
Other fees paid		
Purchased remuneration surveys	10	-
Total fees incurred for services and goods provided by the audit firm	1,071	1,268

6. Insurance disclosures

6.1 Claims incurred

Overview

The largest expense for ACC is claims expense. This is the difference between the OCL at the beginning and the end of the year plus claims payments and handling costs during the year. Current year claims relate to injuries suffered in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (e.g. changes in economic assumptions, risk margin and claims experience) made in all previous financial years, and include the effects of discounting caused by changes in the discount rate and the natural unwinding of the discount as the claims move one year closer to settlement.

	2024			2023		
	Current year \$M	Prior years \$M	Total \$M	Current year \$M	Prior years \$M	Total \$M
Undiscounted	16,380	10,148	26,528	14,678	8,073	22,751
Discount movement	(7,256)	(2,747)	(10,003)	(6,803)	(7,913)	(14,716)
Total claims incurred	9,124	7,401	16,525	7,875	160	8,035

Claims paid during the year comprised of:

	2024 Total \$M	Motor Vehicle Account \$M	Work Account \$M	Earners' Account \$M	Treatment Injury Account \$M	Non- Earners' Account \$M	2023 Total \$M
Rehabilitation (including treatment) costs							
Vocational rehabilitation	90	7	27	53	2	1	73
Social rehabilitation	1,402	336	137	234	204	491	1,201
Medical treatment	1,207	36	143	493	26	509	1,041
Hospital treatment	566	32	84	279	42	129	498
Public health acute services	815	80	53	166	5	511	733
Dental treatment	42	2	4	15	1	20	37
Conveyance for treatment	272	41	17	58	5	151	245
	4,394	534	465	1,298	285	1,812	3,828
Compensation costs							
Income maintenance	2,474	246	715	1,339	104	70	2,102
Independence allowances	82	12	12	17	4	37	55
Lump sums	64	7	18	12	16	11	54
Death benefits	107	34	14	40	10	9	102
	2,727	299	759	1,408	134	127	2,313
Other costs	59	6	14	22	8	9	50
Claims paid	7,180	839	1,238	2,728	427	1,948	6,191

6.2 Actuarial result

The actuarial view of the underwriting result is summarised below.

	2024 \$M	2023 \$M
Levy revenue and Government appropriation	6,409	5,954
Claims incurred		
Lifetime cost of new claims anticipated over the year	8,565	7,987
Effect of payments experience	604	233
Effect of discount unwind	2,656	1,601
Effect of risk margin release	(528)	(470)
Effect of claims experience	1,207	692
Effect of claims modelling and assumptions	2,114	471
Effect of mortality assumption change	-	(335)
Effect of legislative and policy changes	(240)	379
Effect of non-influenceable modelling and experience	(15)	(260)
Effect of provision for policy changes following court decisions	3,611	-
Effect of changes in inflation assumptions	352	2,169
Effect of changes in discount rates	(1,801)	(4,432)
Total claims incurred	16,525	8,035
Increase (decrease) in unexpired risk liability	426	(10)
Other underwriting costs	168	151
Deficit from underwriting activities	(10,710)	(2,222)

6.3 Outstanding claims

Overview

PBE IFRS 4 requires an OCL to be recognised and to be measured as the central estimate of the present value of the expected future payments for claims incurred, with an additional risk margin to allow for the inherent uncertainty in the central estimate. The OCL is to be discounted for the time value of money using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations.

The OCL consists of expected future payments associated with:

- claims reported and accepted as at the valuation date that remain unsettled as at the valuation date
- claims incurred but not reported to, or accepted by, ACC as at the valuation date
- closed claims that are expected, on the basis of actuarial projections, to be reopened after the valuation date
- the costs of managing reported but unsettled, reopened and IBNR claims.

The OCL is the central estimate of the present value of expected future payments on claims occurring on or before the balance date, 30 June 2024, plus a risk margin to ensure the liability is sufficient to meet all the costs of future claim payments 75% of the time.

Future payments associated with gradual process claims that have not yet been reported are not included in the OCL. ACC's major exposure to gradual process or latent claims is in respect of hearing loss and asbestos-related injuries. Section 37 of the AC Act states that a person is considered injured when:

- they first report the incapacity; or
- 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 \$1,042 million (2023: \$1,090 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.

In prior years, sensitive claims were effectively treated on a 'claims made' basis, with no OCL being held for sensitive claims where claimants had not yet sought treatment. Following a Court of Appeal decision in December 2023, ACC must now hold a liability for claims incurred but not yet reported from the date of the mental injury, rather than from the date of first treatment, in respect of potential claims for sexual offences, usually where the individual is aged under 18 when the offence or offences took place.

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

Accounting policy

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

	2024 Total \$M	Motor Vehicle Account \$M	Work Account \$M	Earners' Account \$M	Treatment Injury Account \$M	Non- Earners' Account \$M	2023 Total \$M
Central estimate of present value of future claims payments	50,805	10,725	7,464	12,693	6,892	13,031	43,300
Present value of the claims handling costs	2,618	579	477	647	315	600	2,428
	53,423	11,304	7,941	13,340	7,207	13,631	45,728
Risk margin	6,797	1,492	880	1,574	1,024	1,827	5,809
Outstanding claims liability	60,220	12,796	8,821	14,914	8,231	15,458	51,537
As at the beginning of the year	51,537	12,193	8,066	12,840	7,702	10,736	50,272
Movement during the year	8,683	603	755	2,074	529	4,722	1,265
Current	6,119	840	1,183	2,571	576	949	5,218
Non-current	54,101	11,956	7,638	12,343	7,655	14,509	46,319
Total outstanding claims liability with risk margin	60,220	12,796	8,821	14,914	8,231	15,458	51,537

(b) Reconciliation of movement in discounted outstanding claims liability**Overview**

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

The broad definition of each movement category is:

- (i) Claims anticipated over the year — the expected claim and claims handling costs arising from new accidents in the year to 30 June 2024. The cost is the present value of projected payments post 30 June 2023 plus the expected payments to be made in the year ended 30 June 2024.
- (ii) Payments experience — the difference between actual and projected payments.
- (iii) Discount unwind — as prior claims move one year closer to the date of expected payment, the reduction in the number of years over which discounting takes place is termed as the discount unwind.
- (iv) Risk margin release — the removal of the risk margin on the current year's expected claims payments for non-current claims is termed as the risk margin release.
- (v) Claims experience — change in future expected payments due to actual claims volumes and payments being different to expected.
- (vi) Modelling and assumptions — changes to actuarial assumptions and/or methods to reflect actual experience and/or future events that may have an impact on the number and size of claims. Continuance rates are a measure that is used to estimate the proportion of claims in one quarter that continue to the next, including an allowance for any old claims that reactivate in that quarter.
- (vii) Mortality assumption change — changes to the mortality assumptions of seriously injured clients.
- (viii) Legislative and policy changes — these include court rulings, legislation changes, ACC policy changes and care rate changes.
- (ix) Non-influenceable modelling and experience — changes to actuarial assumptions and/or methods to reflect experience or events that are outside the control of ACC.
- (x) Provision for policy changes following court decisions — a provision held to cover the expected future claim costs arising due to the outcome of Court of Appeal cases against ACC this year. The nature of this liability is similar to a liability that will arise for claims that have occurred but not been reported yet.
- (xi) Inflation assumptions — external assumptions made concerning inflationary factors that include labour cost inflation, average wage inflation and consumer price index (CPI). Future CPI assumptions are prescribed by the Treasury.
- (xii) 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.
- (xiii) Claims payments and handling costs — the actual claims paid and the actual claims handling costs incurred during the year ended 30 June 2024.

	2024 Total \$M	Motor Vehicle Account \$M	Work Account \$M	Earners' Account \$M	Treatment Injury Account \$M	Non- Earners' Account \$M	2023 Total \$M
Outstanding claims brought forward	51,537	12,193	8,066	12,840	7,702	10,736	50,272
Claims anticipated over the year	8,565	1,014	1,412	3,446	622	2,071	7,987
Effect of payments experience	604	31	98	226	44	205	233
Effect of discount unwind	2,656	641	409	642	406	558	1,601
Effect of risk margin release	(528)	(87)	(98)	(190)	(56)	(97)	(470)
Effect of claims experience	1,207	230	166	330	174	307	692
Effect of modelling and assumptions	2,114	163	269	849	239	594	471
Effect of mortality assumption change	-	-	-	-	-	-	(335)
Effect of legislative and policy changes	(240)	(86)	(3)	7	(127)	(31)	379
Effect of non-influenceable modelling and experience	(15)	(32)	(2)	23	(43)	39	(260)
Effect of provision for policy changes following court decisions	3,611	-	-	-	47	3,564	-
Effect of changes in inflation assumptions	352	98	44	74	62	74	2,169
Effect of changes in discount rates	(1,801)	(469)	(172)	(331)	(355)	(474)	(4,432)
Incurred claims recognised in the underwriting result	16,525	1,503	2,123	5,076	1,013	6,810	8,035
Claims payments and handling costs	(7,842)	(900)	(1,368)	(3,002)	(484)	(2,088)	(6,770)
Outstanding claims carried forward	60,220	12,796	8,821	14,914	8,231	15,458	51,537

(c) Claims development table

Overview

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

	Accident year									Total
	2016 and prior \$M	2017 \$M	2018 \$M	2019 \$M	2020 \$M	2021 \$M	2022 \$M	2023 \$M	2024 \$M	
Estimate of ultimate claim costs:										
At end of accident year		7,914	8,038	8,828	8,367	10,684	11,316	13,037	14,569	
One year later		7,160	7,738	9,137	8,963	11,044	12,335	13,578	-	
Two years later		7,430	7,655	10,183	9,464	11,882	12,946	-	-	
Three years later		7,500	8,365	10,396	9,887	12,246	-	-	-	
Four years later		8,021	8,882	10,805	10,220	-	-	-	-	
Five years later		8,221	9,038	11,077	-	-	-	-	-	
Six years later		8,727	9,643	-	-	-	-	-	-	
Seven years later		9,003	-	-	-	-	-	-	-	
Current estimate of cumulative claim costs	129,118	9,003	9,643	11,077	10,220	12,246	12,946	13,578	14,569	222,400
Cumulative payments made to date	(48,548)	(2,677)	(2,890)	(3,121)	(2,980)	(3,320)	(2,972)	(3,031)	(1,846)	(71,385)
Outstanding claims — undiscounted	80,570	6,326	6,753	7,956	7,240	8,926	9,974	10,547	12,723	151,015
Discount	(52,470)	(4,433)	(4,662)	(5,397)	(4,729)	(5,805)	(6,506)	(6,370)	(7,005)	(97,377)
Outstanding claims — discounted	28,100	1,893	2,091	2,559	2,511	3,121	3,468	4,177	5,718	53,638
Provision for policy changes following court decisions										3,611
Claims handling costs										2,949
Short tail outstanding claims										22
Outstanding claims — per statement of financial position										60,220

(d) Key assumptions

Overview

ACC's Appointed Actuary commissions consulting actuary Taylor Fry to provide an actuarial estimate of the OCL annually and approves this work. The ACC actuarial team support this annual valuation and have tested and challenged key assumptions to ensure these are reasonable. The Taylor Fry actuarial report is signed by Mr Alan Greenfield and Mr Ross Simmonds (Fellows of the New Zealand Society of Actuaries).

The actuarial estimate has been made based on actual experience to 30 June 2024. The calculation of the OCL has been made in accordance with the standards of the New Zealand Society of Actuaries' Professional Standard No. 30: *Valuation of General Insurance Claims* and PBE IFRS 4.

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 6.3(a) Outstanding claims liability (discounted) shows the actuarial estimate of the present value 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 actual outcome is subject to uncertainty and is likely to fall within a range of probable outcomes.

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

	2024		2023	
	Year 1 % pa	Beyond Year 1 % pa	Year 1 % pa	Beyond Year 1 % pa
Discount rate	5.30%	4.25% to 5.36%	5.43%	4.30% to 5.01%
Inflation rates:				
weekly compensation ⁽ⁱ⁾	4.15%	2.20% to 2.62%	4.33%	2.13% to 3.75%
impairment benefits	4.02%	2.00% to 2.42%	6.65%	1.93% to 3.55%
social rehabilitation benefits	2.52%	2.20% to 2.30%	3.56%	2.13% to 2.86%
hospital rehabilitation benefits	2.52%	2.20% to 2.30%	3.56%	2.13% to 2.86%
short-term medical costs	2.52%	2.20% to 2.30%	3.56%	2.13% to 2.86%
other medical costs	2.52%	2.20% to 2.30%	3.56%	2.13% to 2.86%
Superimposed inflation:				
social rehabilitation benefits (contracted care) ⁽ⁱⁱ⁾	1.00%	1.00%	4.04%	1.00%
social rehabilitation benefits (non-contracted care) ⁽ⁱⁱ⁾	1.00%	1.00%	0.80%	1.00%
social rehabilitation benefits (residential care) ⁽ⁱⁱ⁾	3.35%	0.50%	4.19%	0.50%
social rehabilitation benefits (serious injury capital expenditure) ⁽ⁱⁱⁱ⁾	0.70%	0.80% to 2.80%	0.70%	0.80% to 3.30%
hospital rehabilitation benefits ^(iv)	3.00%	3.00%	3.00%	3.00%
short-term medical costs (general practitioners)	2.00%	2.00%	2.00%	2.00%
short-term medical costs (radiology)	2.00%	2.00%	2.00%	2.00%
short-term medical costs (physiotherapists)	2.00%	2.00%	2.00%	2.00%
other medical costs	1.50%	1.50%	1.50%	1.50%
Weighted average risk margin	12.68%		12.70%	
Weighted average claims handling costs ratio	5.50%		5.60%	

Continuance rates are also key assumptions used in the valuation, particularly for non-fatal weekly compensation and sensitive claims. Weekly compensation continuance rates range from 40% in the short term (2023: 37%) to 98% in the long term (2023: 98%), and sensitive claims continuance rates range from 79% in the short term (2023: 79%) to 101% in the long term (2023: 100%). Changes in continuance rate assumptions for non-fatal weekly compensation and sensitive claims have increased the liability by \$1,140 million and \$418 million respectively.

Notes:

- (i) Growth in weekly compensation benefits for existing accidents is inflated based on the Labour Cost Index (LCI). Growth in underlying wages to set starting levels of weekly compensation for future accidents is inflated using average weekly earnings.
- (ii) Growth in liability due to increases in carer wages and residential care above LCI. Note this does not include increases in the hours of care provided or the effects of clients moving between care providers.
- (iii) Capital expenditure: motor vehicle and housing modifications, along with other capital expenditure provided to those seriously disabled due to an accident.
- (iv) Predominantly elective surgery costs.

(i) Process used to determine assumptions

Overview

Discount rate

The risk-free rates are prescribed by the Treasury and based predominantly on the yield curve of the New Zealand Government bond rates. The longest term of a current non-inflation-indexed New Zealand Government bond is approximately 30 years from now. Discount rates beyond 30 years are smoothed over a minimum of 10 years 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 4.97% (2023: 4.79%).

Inflation rates

CPI inflation rates are prescribed by the Treasury. Assumptions for the LCI and average weekly earnings are based on their historical relationships with the CPI. Long-term inflation is determined by using an assumption about the gap between inflation and interest rates.

Superimposed inflation

Superimposed inflation is an allowance for increases to the cost of claims, over and above any adopted inflation index.

Risk margin

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

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate. Uncertainty was analysed for each benefit type, taking into account potential uncertainties relating to the claims experience, the insurance environment and the impact of legislative reform.

The assumptions regarding uncertainty were applied to the central estimates in order to arrive at an overall provision that allows for a 75% probability of sufficiency in meeting the actual amount of liability to which it relates.

Claims handling costs

The allowance for claims handling costs is determined by analysing claims-related costs incurred in the accounting year and expressing these 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

Overview

The sensitivity analysis below shows the impact of a change in key assumptions higher and lower at the beginning of the financial year and held constant throughout the year. Each sensitivity has been calculated in isolation to other changes, so an effect could be compounding.

The effects of the sensitivity for the OCL, the net surplus (deficit) and the net liabilities position to key assumption changes are in the following table.

One of the more volatile assumptions for the OCL is the interest rate. Interest rate movements in the OCL are partially offset through the interest rate exposure of the investment portfolios. The two asset sensitivities are separately calculated for impacts of interest rate changes on fixed interest assets and impacts of inflation rate changes on index linked bonds. There may also be some impact on equities, property, etc; however, these impacts are indeterminate.

The provision for policy changes following court decisions is excluded from the sensitivity calculations in the table below but is disclosed separately after the 2024 table.

	2024		
	OC \$M	Net liabilities \$M	Net deficit \$M
Actual	60,220	(12,367)	(7,239)

Assumption	Movement	2024		
		Increase (decrease) in OCL \$M	Impact on net liabilities \$M	Impact on net deficit \$M
Discount rate	1.00%	(6,760)	4,134	4,134
	-1.00%	8,958	(6,081)	(6,081)
Inflation rate	1.00%	9,119	(7,799)	(7,799)
	-1.00%	(7,003)	5,832	5,832
Long-term gap between discount rate and inflation rates	0.75%	(298)	298	298
	-0.75%	345	(345)	(345)
Superimposed inflation (medical and elective surgery)	1.00%	1,029	(1,029)	(1,029)
	-1.00%	(780)	780	780
Discounted mean term	+1 year	(1,328)	1,328	1,328
	-1 year	1,364	(1,364)	(1,364)
Superimposed inflation for social rehabilitation for serious injury claims after one year and non-serious non-capital claims	1.00%	3,325	(3,325)	(3,325)
	-1.00%	(2,515)	2,515	2,515
Long-term continuance rates for non-fatal weekly compensation	1.00%	1,044	(1,044)	(1,044)
	-1.00%	(903)	903	903
Sensitive claims continuance rates	1.00%	752	(752)	(752)
	-1.00%	(598)	598	598

Sensitivity of the provision for policy changes following court decisions

If the number of eligible clients were 10% higher (lower) than assumed and all other assumptions remain unchanged, then the provision will be \$361 million higher (\$361 million lower). Similarly, if the average cost of these claims were 10% higher (lower) than assumed and all other assumptions remain unchanged, then the provision will be \$361 million higher (\$361 million lower). There is considerable uncertainty around the value of the provision as it is based on limited data and involves making a number of key judgements. In the case of sensitive claims in particular, there is also a considerable delay between when claimants suffer the injury and when they come forward to obtain cover. ACC is currently working through operationalising these policy changes following court decisions.

	2023		
	OCL \$M	Net liabilities \$M	Net surplus \$M
Actual	51,537	(5,128)	911

Assumption	Movement	2023		
		Increase (decrease) in OCL \$M	Impact on net liabilities \$M	Impact on net surplus \$M
Discount rate	1.00%	(6,466)	4,170	4,170
	-1.00%	8,653	(6,222)	(6,222)
Inflation rate	1.00%	8,775	(7,437)	(7,437)
	-1.00%	(6,674)	5,496	5,496
Long-term gap between discount rate and inflation rates	0.75%	(364)	364	364
	-0.75%	424	(424)	(424)
Superimposed inflation (medical and elective surgery)	1.00%	1,023	(1,023)	(1,023)
	-1.00%	(770)	770	770
Discounted mean term	+1 year	(1,073)	1,073	1,073
	-1 year	1,100	(1,100)	(1,100)
Superimposed inflation for social rehabilitation for serious injury claims after one year and non-serious non-capital claims	1.00%	3,299	(3,299)	(3,299)
	-1.00%	(2,482)	2,482	2,482
Long-term continuance rates for non-fatal weekly compensation	1.00%	934	(934)	(934)
	-1.00%	(805)	805	805
Sensitive claims continuance rates	1.00%	627	(627)	(627)
	-1.00%	(497)	497	497

6.4 Insurance Contracts — Risk management policies and procedures

Overview

Insurance risk is the risk that the cost of insurance claims is higher than the planned cost, with the consequence, in extreme cases, that the insurer cannot meet its claims liabilities. Although ACC's exposure to insurance risk differs markedly from insurance risks faced by private sector commercial insurers, ACC is still exposed to several facets of insurance risk. As a result, ACC has objectives, policies and processes for managing them. ACC's general approach to managing risk is set out in the Enterprise Risk Management and Compliance Policy and includes the application of ACC's Enterprise Risk and Compliance Framework. The general approach applies to the management of all risks, including insurance risk. Note 6.4(i) contains a summary of the specific objectives, policies, processes and related methods relevant to ACC's management of insurance risk.

(i) Objectives, policies and processes for managing insurance risk and the methods used to manage that risk

The key activities that usually expose insurers to insurance risk comprise: product design, pricing, underwriting and claims management. Some of these activities are less relevant to ACC because, for example, the design of its products is (predominantly) prescribed by the AC Act and it does not have total control over its pricing. Nevertheless, those four categories of activity provide a useful framework to describe ACC's approach to managing insurance risk.

Product design: The personal injury events covered by the Scheme are prescribed by the AC Act, the contents of which are determined by Parliament, not ACC, and reflect Government policy. As such, the scope and nature of ACC's products are determined by statute. There is a risk that the product design can deviate over time from the original intentions of the legislature. This can occur by way of judicial (mis)interpretation or misapplication of the statutory provisions. ACC's objective is to ensure that the relevant provisions in the AC Act are interpreted and applied in a manner consistent with the original intentions of the legislature. ACC has implemented several controls to manage this risk, including:

- the review of material decisions by specialists to assess the accuracy and consistency of the interpretation of relevant statutory provisions concerning cover
- governance and other forums to review recommendations from specialists on whether to challenge potentially 'incorrect' interpretations and applications
- mature processes for conducting formal appeals of relevant decisions.

Pricing: A description of how the Scheme is funded is described in the 'Reporting and funding by Account' section. Part of that funding comes from levies. Although ACC plays an important role by making levy rate recommendations in accordance with the Government's funding policy, the final decisions on levy rates are made by the Government. As a result, compared to private sector commercial insurers, ACC does not have as much direct influence on the pricing of its services. ACC's objective in relation to its levy rate recommendations is to comply with section 331 of the AC Act, which requires (among other things) that ACC must consult levy payers before making any recommendation and that the recommendations must give effect to the Government's funding policy. There is a risk, however, that ACC's levy rate recommendations may not 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: The statements of comprehensive revenue and expense and Note 6.2 contain ACC's underwriting result (in the sense of ACC's core business of collecting levies and paying for accident compensation and rehabilitation, excluding any investment activities). However, the concept of underwriting activity, in the context of insurance risk, concerns the activities of an insurer related to its decisions on (essentially) what insurance contracts to enter into. ACC does not engage in that type of underwriting activity, because the AC Act prescribes both who is entitled to cover under the Scheme and the personal injury events that are covered. As a result, ACC's insurance risks are not affected by this aspect of insurance risk, which applies to most insurers.

Claims management: There are two aspects of claims management at ACC that give rise to material risks:

- (i) the routine handling and settling of claims in the ordinary course of business
- (ii) the management of the costs of claims, especially future costs of rehabilitation support services provided to individuals experiencing significant disability as a result of injury.

In relation to the routine handling and settling of claims in the ordinary course of business, there is a risk that ACC could approve and settle claims incorrectly, potentially incurring inappropriate costs related to the claims. ACC's objective in relation to the routine handling and settling of claims is to ensure that claims are settled in a timely manner in accordance with the relevant requirements of the AC Act. ACC has implemented several controls to manage this risk, including:

- documented claims management processes with associated claims handling authority levels
- claims settlement procedures
- dispute resolution processes.

The management of the costs of claims, especially long-term future costs, is complex. Some of the drivers of future claims costs are not able to be controlled by ACC. For example, falling interest rates (and the consequential impact on discount rates) have a negative (inflationary) impact on future claims costs. See Note 2.1 concerning the OCL. There is a risk that growth in claims costs could (among other things) place unwarranted pressure on levy rates. ACC's objective in relation to the management of the costs of claims is to identify and respond to controllable causes of claims cost growth. ACC has implemented several controls to manage this risk, including:

- procedures to ensure that contracts with service providers are appropriate
- review of provider contracts to identify potential opportunities for efficiencies
- setting annual budgets for claims costs, performance against which is tracked and reported
- processes requiring an assessment of the impact on OCL before service changes are adopted
- governance and other forums to oversee the management of claims costs and to identify initiatives that could improve claims management
- changes to the case management model to deliver improved rehabilitation performance balancing short-term improvements with advancing systemic longer-term changes.

(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.

6.5 Unearned levy liability

Overview

ACC recognises levy revenue that is earned for the financial year for the three levy funded Accounts. The levy year runs from 1 April to 31 March for the Earners' and Work Accounts and from 1 July to 30 June for the Motor Vehicle Account. This means that as of 30 June 2024 ACC has recognised unearned levy liabilities for the period 1 July 2024 to 31 March 2025 for both the Earners' and Work Accounts.

For the Motor Vehicle Account, ACC recognises unearned levy liability for a proportion of vehicle registration levies for vehicle registrations that expire after 30 June 2024, and a proportion of petrol levies that can be expected to be received after 30 June 2024 based on the number and expiry date of vehicle registrations purchased up to 30 June 2024 but that expire after 30 June 2024.

Accounting policy

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

	2024 Total \$M	Motor Vehicle Account \$M	Work Account \$M	Earners' Account \$M	2023 Total \$M
Opening balance at 1 July	2,804	174	727	1,903	2,510
Unearned levies received in the year	3,080	168	783	2,129	2,804
Levies received in previous years now recognised	(2,804)	(174)	(727)	(1,903)	(2,510)
Closing balance at 30 June	3,080	168	783	2,129	2,804
Current	3,080	168	783	2,129	2,804
Non-current	-	-	-	-	-
Total unearned levy liability	3,080	168	783	2,129	2,804

6.6 Unexpired risk liability

Overview

At each balance date, ACC assesses whether the levy revenue recognised in the current period is sufficient to cover all expected future cash flows relating to future claims incurred in the current period. This assessment is referred to as the liability adequacy test and is performed for each Account. 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 6.3(d)(i)).

Accounting policy

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

	2024 Total \$M	Motor Vehicle Account \$M	Work Account \$M	Earners' Account \$M	2023 Total \$M
Opening balance at 1 July	1,324	194	363	767	1,334
Expected change	70	23	18	29	79
Effect of changes in economic assumptions	(52)	(12)	(11)	(29)	(27)
Other changes	408	32	139	237	(62)
Increase (decrease) in unexpired risk liability	426	43	146	237	(10)
Closing balance at 30 June	1,750	237	509	1,004	1,324
Calculation of deficiency					
Unearned levy liability as reported in the statement of financial position	3,080	168	783	2,129	2,804
Adjustment ⁽ⁱ⁾	(92)	-	-	(92)	(87)
Adjusted unearned levy liability	2,988	168	783	2,037	2,717
Central estimate of present value of expected future cash flows arising from future claims	4,250	357	1,170	2,723	3,630
Risk margin ⁽ⁱⁱ⁾	488	48	122	318	411
Present value of expected future cash flows for future claims	4,738	405	1,292	3,041	4,041
Total unexpired risk liability	1,750	237	509	1,004	1,324
Current	1,750	237	509	1,004	1,324
Non-current	-	-	-	-	-
Total unexpired risk liability	1,750	237	509	1,004	1,324

Notes:

- (i) This excludes the Earners' portion of treatment injury in the Earners' Account as the liabilities that are assessed exclude those arising from medical misadventure.
- (ii) The risk margins determined for the unexpired risk liability relate to future claims payments for injuries that have yet to happen. The risk margins are consistent with those used for the OCL valuation.

A liability adequacy test was not performed for the Non-Earners' Account as there was no unearned levy liability as at 30 June 2024 for this Account.

7. Investments

Overview

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

Accounting policy

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

All investment assets, other than service concession arrangements and investment properties, are classified as financial assets recognised at fair value through surplus or deficit. The service concession arrangement is carried at cost less accumulated amortisation and the investment properties are carried at fair value through surplus or deficit but are not considered financial assets.

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

Fair value for investment assets is determined as follows:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities. These include listed shares and unit trusts, included in New Zealand equities, Australian equities and overseas equities.
- Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). These include:
 - › bonds and other fixed interest investments, included in New Zealand government securities, other New Zealand debt securities and overseas debt securities, valued using quoted yield curves
 - › unit trusts (included in New Zealand equities, Australian equities and overseas equities), deposits at call, derivatives and cash pledged as collateral.
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs). ACC uses independent valuations for various investments without active markets or observable inputs. Fair value is determined using the most appropriate valuation technique. These include:
 - › non-listed equity investments (private equity and venture capital), included in New Zealand equities, Australian equities and overseas equities. The valuation techniques include discounted cash flow analysis, capitalisation of earnings and prices observed from recent market transactions associated with substantially similar investments
 - › unlisted unit trust investments, included in New Zealand equities, Australian equities and overseas equities, valued based on the exit price (the value ACC would receive if the units were sold).

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

Investment properties are revalued by independent registered property valuers.

	2024 \$M	2023 \$M
New Zealand deposits at call	522	710
Overseas deposits at call	202	317
Cash pledged as collateral (Note 7.4)	134	831
New Zealand government securities	21,311	15,600
Other New Zealand debt securities	4,625	6,137
Overseas debt securities	7,795	5,398
New Zealand equities	5,197	5,100
Australian equities	3,393	3,359
Overseas equities	7,874	10,170
Other investments	24	20
	51,077	47,642
Investment properties (Note 7.1)	615	577
Service concession arrangements (Note 7.2)	29	32
Total investments	51,721	48,251
Total investments excluding cash pledged as collateral	51,587	47,420
Current	2,074	4,078
Non-current	49,647	44,173
Total investments	51,721	48,251

7.1 Investment properties

Overview

Investment properties are properties that ACC holds for rental revenue and capital gains. ACC is not the tenant of any properties it owns for investment purposes.

Accounting policy

The investment properties are revalued annually. The market valuations have been determined by members of the New Zealand Institute of Valuers, who are independent valuers of Colliers International NZ Limited. The properties are valued under a combination of the capitalisation approach, the discounted cash flow method and direct comparison with prices for properties of a similar nature. Investment properties are carried at fair value through surplus or deficit but are not considered financial assets.

	2024 \$M	2023 \$M
Opening balance as at 1 July	577	606
Additions	70	12
Disposals/transfers	(3)	-
Net loss from revaluations	(29)	(41)
Closing balance as at 30 June	615	577
Current	-	-
Non-current	615	577
Total investment properties	615	577

7.2 Service concession arrangements

Accounting policy

ACC recognises an asset arising from a service concession arrangement where it has the right to charge for the use of a car park facility. The asset is carried at cost less accumulated amortisation and accumulated impairment.

The service concession arrangement was acquired in 2013 and will expire in 2037. Amortisation is calculated on a straight-line basis over the period in which ACC is able to charge the public for the use of the facilities.

	2024 \$M	2023 \$M
Year ended 30 June		
Opening net carrying amount	32	34
Amortisation charge	(3)	(2)
Closing net carrying amount	29	32
At 30 June		
At cost	56	56
Accumulated amortisation	(27)	(24)
Net carrying amount	29	32

7.3 Repurchase agreements

Overview

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

Accounting policy

Securities held under repurchase agreements are included within investments classified as financial assets at fair value through surplus or deficit. These securities are subject to fully collateralised security lending transactions. ACC has determined that it retains substantially all of the risks and rewards of the securities advanced and therefore they are not derecognised. Cash collateral received of \$2,290 million (2023: \$640 million) from these transactions is invested. The cash collateral received is recognised as a liability in payables, this is the obligation to repurchase the investments.

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

	2024		2023	
	Value of transferred assets not offset \$M	Value of associated liabilities \$M	Value of transferred assets not offset \$M	Value of associated liabilities \$M
New Zealand government securities subject to repurchase agreements	2,297	2,297	640	640
	2,297	2,297	640	640

	2024		2023	
	Value of transferred assets not recognised \$M	Value of associated assets \$M	Value of transferred assets not recognised \$M	Value of associated assets \$M
New Zealand government securities subject to reverse repurchase agreements	-	-	133	133
Overseas debt securities subject to reverse repurchase agreements	23	23	20	20
	23	23	153	153

7.4 Collateral

In line with standard industry practice, ACC uses Credit Support Agreements (CSAs) to provide credit protection for derivative positions. ACC's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with counterparties. Under these agreements, open derivative positions with the counterparty are aggregated and cash collateral is exchanged daily. The collateral is provided by the counterparty when their position is out of the money or provided to the counterparty by ACC when ACC's position is out of the money.

Cash balances relating to initial and variation margin on futures are lodged with the custodian and passed on to the relevant futures exchange. Fixed income securities pledged as collateral are lodged with a clearing house via an external collateral manager.

Cash pledged as collateral

ACC is required to pledge part of its deposits at call in order to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to ACC when the underlying transactions have been settled, but in the event of default the counterparty is entitled to apply the collateral in order to settle the liability. The fair value of the amount pledged was \$134 million as at 30 June 2024 (2023: \$831 million).

Cash collateral received

ACC has received cash deposits as collateral to meet obligations under the CSAs for derivative positions. ACC has an obligation to repay the deposits to the counterparties upon settlement of the underlying transactions, but in the event of default ACC is entitled to apply the collateral received in order to settle the liability. The fair value of the deposits at call received by ACC was \$37 million as at 30 June 2024 (2023: \$25 million).

8. Derivative financial instruments

Overview

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

The use of derivative financial instruments is covered by investment policies which control the risks associated with such instruments.

Accounting policy

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 exchange contracts are valued with reference to quoted forward exchange rates and yield curves derived from quoted interest rates with similar maturity profiles
- futures contracts are valued using quoted prices.

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.

	2024		2023	
	Fair value assets \$M	Fair value liabilities \$M	Fair value assets \$M	Fair value liabilities \$M
Interest rate swaps	122	667	154	889
Credit default swaps	2	-	3	-
Cross-currency interest rate swaps	49	38	46	31
Forward foreign exchange contracts	133	222	134	233
Futures contracts	15	8	19	26
Total derivative instruments	321	935	356	1,179
Current	148	222	145	239
Non-current	173	713	211	940
Total derivative instruments	321	935	356	1,179

At balance date, the notional amounts outstanding were:	2024 \$M	2023 \$M
Interest rate swaps	17,090	12,708
Credit default swaps	38	66
Cross-currency interest rate swaps	7,183	7,575
Forward foreign exchange contracts	20,401	22,077
Futures contracts — long	1,203	1,480
Futures contracts — short	(2,048)	(2,698)

9. Cash and cash equivalents

Overview

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

Accounting policy

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

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

	2024 \$M	2023 \$M
Cash at bank	-	3
Investment operational cash		
Overnight call deposits	3	111
Deposits at call	65	131
Total cash and cash equivalents	68	245

The effective interest rate at 30 June 2024 on overnight call deposits was 5.50% (2023: 5.50%) and on deposits at call was 5.50% (2023: 6.30%).

10. Receivables

Overview

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

Accounting policy

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

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

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

	2024 \$M	2023 \$M
Levy debtors	158	130
Motor Vehicle levy receivable ⁽ⁱ⁾	18	24
Earners' levy receivable	5	11
Total levy receivables	181	165
Claimant debtors	4	4
Unsettled investment transactions	251	410
Reverse repurchase agreements	23	153
Dividends receivable	21	26
Goods and services tax	-	6
Other tax receivables	15	13
Prepayments and other sundry debtors	25	23
Total non-levy receivables	339	635
Total receivables	520	800
Current	520	800
Non-current	-	-
Total receivables	520	800

Credit risk

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

Note:

- (i) Motor Vehicle levy receivable consists of:
- › the amount collected by Waka Kotahi NZ Transport Agency from motor vehicle licensing that is due to ACC
 - › the amount collected by the New Zealand Customs Service for the levy portion of the excise duty on petrol that is due to ACC in the first week of the following month.

11. Accrued levy revenue

Overview

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

Accounting policy

Levies required to fund the Work Account are invoiced directly to employers or self-employed persons based on their respective liable earnings at the applicable levy rate.

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

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

ACC recognises and accrues levy revenue up to the end of the levy year for the three levy-funded Accounts. The levy year runs from 1 April to 31 March for the Work and Earners' Accounts and from 1 July to 30 June for the Motor Vehicle Account.

The accrued levy revenue at 30 June 2024 therefore includes revenue for the period 1 July 2024 to 31 March 2025 for the Work and Earners' Accounts as well as uninvoiced revenue for levy periods up to 30 June 2024.

	2024 \$M	2023 \$M
Motor Vehicle Account	62	66
Work Account	1,167	1,105
Earners' Account	2,492	2,225
Total accrued levy revenue	3,721	3,396
Current	3,721	3,396
Non-current	-	-
Total accrued levy revenue	3,721	3,396

Sensitivity analysis

The accrued levy revenue for the levy year 1 April 2024 to 31 March 2025 is assessed using Inland Revenue's earnings data, and providing for an uplift on the liable earnings from the previous levy year 1 April 2023 to 31 March 2024, multiplied by the applicable levy rate. The following sensitivity analysis shows the impact on the net deficit if the uplift applied were to change by 6.00%, with all other variables held constant.

Account	Uplift applied range %	Movement %	Impact on net deficit \$M
Work	3.68 to 3.95	+6.00	63
		-6.00	(63)
Earners	3.87 to 4.34	+6.00	171
		-6.00	(171)

12. Financial risk management

Overview

The main financial risks that ACC is primarily exposed to are market (interest rate, foreign currency risk and other price risk), credit and liquidity risk.

12.1 Financial instrument classification

Financial instruments held by ACC are categorised as follows:

	2024 \$M	2023 \$M
Financial assets designated at fair value through surplus or deficit		
Investments (Note 7)	51,077	47,642
Financial assets at fair value through surplus or deficit held for trading		
Derivative financial assets (Note 8)	321	356
Financial assets at amortised cost		
Cash and cash equivalents (Note 9)	68	245
Receivables (Note 10)	297	591
Financial liabilities designated at fair value through surplus or deficit		
Cash collateral received (Note 7.4)	37	25
Financial liabilities at fair value through surplus or deficit held for trading		
Derivative financial liabilities (Note 8)	935	1,179
Financial liabilities at amortised cost		
Payables (Note 14)	2,595	1,249

12.2 Financial risk management objectives

Each of ACC's five Accounts allocates its investment funds to ACC's short-term operational cash portfolio and its own longer-term reserves portfolio depending on that Account's future cash flow needs. The operational cash portfolio is used to meet operational needs such as paying claims and expenses. When the Accounts allocate money to the various investment markets (asset classes), the money in each asset class is pooled from all Accounts and managed collectively to ensure operational efficiency and fairness between Accounts. The Accounts' ownership of each asset class is updated when each Account contributes money to or withdraws money from the investment portfolios. The ownership amounts are monitored on a daily basis.

The main financial risks that ACC is primarily exposed to are market, credit and liquidity risk.

ACC consciously chooses to be exposed to many of these risk exposures through the investment portfolios. These risks either provide a natural offset to risks inherent in the OCL or because ACC expects to enhance returns through prudent exposure to market risks.

When ACC does not wish to incur the above risks in the reserves portfolio it will seek to reduce exposure to these risks using a variety of methods. These methods include disposing of investments currently exposed to these risks, purchasing investments with offsetting risk exposures, and using derivative financial instruments. Market risk (which comprises interest rate, foreign exchange and other price risk) is managed for all portfolios through the investment guidelines. This ensures that portfolio managers maintain their portfolios within defined market exposure limits. These include:

- limits on the percentage weight of any particular company in the portfolio relative to its benchmark weight
- limits on aggregate investment in companies not represented in the benchmark
- limits on the maximum percentage shareholding in any individual company
- ratings-related credit limits on both a per-issuer and an aggregate basis
- duration limits relative to the duration of the benchmark
- maximum exposure limits to single entities.

Compliance with the investment guidelines is reviewed by ACC's Investment Risk and Performance group on a daily basis, and by the internal auditors on a half-yearly basis.

Market risk exposures are measured in a number of ways, specific to the types of risk being measured. In some cases more than one measure of risk is used, recognising the fact that all forms of investment risk measurement are imperfect.

12.3 Market risk

(i) Interest rate risk

Overview

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

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

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

Interest rate risk affects ACC's investments and the OCL of each Account. For each Account, ACC would expect investment gains and an increase in the OCL to result from declines in interest rates, and investment losses and a decrease in the OCL to result from rises. However, the corresponding movements in ACC's OCL (due only to interest rate movements) would be far more significant than the movement in the value of investments. Hence, investment gains or losses arising from changes in interest rates will tend to only partially offset a corresponding revaluation of ACC's claims liabilities.

Under interest rate swap contracts, ACC agrees to exchange the difference between fixed and floating rate interest payments calculated on agreed notional principal amounts. Such contracts enable ACC to manage its interest rate risk and create synthetic fixed-rate bonds from its investment in variable rate debt.

Sensitivity analysis

At balance date, if the interest rate at the end of the financial year had been 1% higher/lower and held constant throughout the year with all other variables remaining constant, the net 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 liabilities.

Fair value interest rate risk	Change in interest rate %	2024	2023
		Impact on net deficit \$M	Impact on net surplus \$M
New Zealand dollar interest rates	+1.00	(2,626)	(2,338)
New Zealand dollar interest rates	-1.00	2,878	2,478

The above only shows the impact of changes in interest rates on ACC's investment portfolios. Changes in interest rates also have an impact on the OCL. Refer to Note 6.3(d)(ii) for this sensitivity analysis.

(ii) Foreign exchange risk

Overview

Foreign exchange risk is the risk that the value of ACC's investment portfolios could be affected by a change in foreign exchange rates. ACC is exposed to foreign exchange risk principally due to its holdings of foreign currency denominated investments. ACC partially offsets these exposures by entering into foreign currency contracts for forward sales of foreign currencies against the New Zealand dollar and longer-term, cross-currency interest rate swaps.

Benchmark ranges of foreign exchange exposure are established by the 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 18 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 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 liabilities.

\$M	2024							
	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
Impact on net deficit								
10.00% increase	(806)	(412)	(78)	(29)	(13)	(37)	(22)	(56)
10.00% decrease	985	503	95	36	16	45	27	68

\$M	2023							
	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
Impact on net surplus								
10.00% increase	(538)	(519)	(101)	(37)	(19)	(52)	(30)	(74)
10.00% decrease	658	635	124	45	23	64	37	89

(iii) Other price risk

Overview

ACC invests in equities and unit trusts, and considers the risk on these from a long-term perspective. Changes in the market price of equity and unit trust investments:

- affect the value that ACC could realise for these investments if it chose to sell them in the short term
- will be reflected in the valuation carried in ACC's statement of financial position and the investment revenue reported in ACC's statement of comprehensive revenue and expense.

Sensitivity analysis

The table below details the sensitivity to a change of 10% in the market values of listed and unlisted equity investments to the 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 liabilities.

	Movement %	2024	2023
		Impact on net deficit \$M	Impact on net surplus \$M
Overseas equities	+10.00	787	1,017
	-10.00	(787)	(1,017)
New Zealand equities	+10.00	520	510
	-10.00	(520)	(510)
Australian equities	+10.00	339	336
	-10.00	(339)	(336)

12.4 Credit risk

Overview

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to ACC. Credit risk only applies to debt instruments, derivatives in gain, receivables and a selection of other financial assets.

For internally managed portfolios, the Investment Committee has approved an authorised set of credit criteria which includes credit limits and portfolio limits. There is a list of authorised New Zealand banks that ACC can invest with. These credit limits are designed to limit ACC's exposure to counterparties with a high risk of defaulting while at the same time allowing ACC to take on appropriate levels of risk whilst maximising investment returns. Investment in unrated debt is allowed if approved by ACC's Credit Committee. ACC's exposure and the credit ratings of its counterparties are continuously monitored.

Transactions involving derivative financial instruments are undertaken with authorised banks and executed in accordance with ISDA documentation.

The maximum exposure to credit risk at balance date is the carrying value of each class of financial assets disclosed below and the cash flows for derivative instruments noted in the liquidity table in Note 12.5.

As all financial assets, except for cash and cash equivalents and non-levy receivables, are recognised at fair value through surplus or deficit, there is no expected credit loss recognised in respect of those financial assets. This is due to credit risk being factored into the fair value of those financial assets. Any movement in this value is recognised in the statement of comprehensive revenue and expense, as part of gains (losses) on investments.

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

The credit ratings used in the table below relate to each individual security's credit rating. Where a security does not have an individual credit rating, the issuer's credit rating is used. In determining the credit ratings, the primary source used is Standard & Poor's.

\$M	2024						Total
	AAA	AA	A	BBB	Below BBB	Not rated	
Cash and cash equivalents	-	3	65	-	-	-	68
Deposits at call	-	420	301	-	-	3	724
Cash pledged as collateral	-	1	20	-	-	113	134
Other New Zealand debt securities	2,349	216	438	883	33	706	4,625
Overseas debt securities	6,159	644	192	431	71	298	7,795
New Zealand government securities	21,311	-	-	-	-	-	21,311
Interest rate swaps	-	77	88	-	3	3	171
Forward foreign exchange contracts	-	37	74	-	22	-	133
Other derivatives	-	-	-	-	-	17	17
Receivables	-	-	272	23	-	2	297
	29,819	1,398	1,450	1,337	129	1,142	35,275

ACC has an additional exposure of \$38 million (2023: \$66 million) with regard to credit default swaps. This is the potential liability faced if the underlying entity defaults on its contractual obligations, which ACC will then be obligated to pay. Under PBE IPSAS 41 *Financial Instruments*, ACC continues to recognise credit default swaps at fair value through surplus or deficit, rather than at amortised cost as a financial guarantee. This is due to the current measurement basis, which significantly reduces the accounting mismatch that would arise from measuring credit default swap assets or liabilities or recognising the gains and losses on them on a different basis.

\$M	2023						Total
	AAA	AA	A	BBB	Below BBB	Not rated	
Cash and cash equivalents	-	215	30	-	-	-	245
Deposits at call	-	599	421	-	-	7	1,027
Cash pledged as collateral	-	531	230	-	-	70	831
Other New Zealand debt securities	3,164	308	980	963	78	644	6,137
Overseas debt securities	3,815	57	332	829	95	270	5,398
New Zealand government securities	15,600	-	-	-	-	-	15,600
Interest rate swaps	-	71	124	-	3	2	200
Forward foreign exchange contracts	-	19	94	-	20	1	134
Other derivatives	-	-	-	-	-	22	22
Receivables	133	-	436	20	-	2	591
	22,712	1,800	2,647	1,812	196	1,018	30,185

12.5 Liquidity risk

Overview

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

	2024			
	Less than 1 year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Greater than 5 years \$M
Payables	2,595	-	-	-
Uncalled investment-related commitments	75	66	74	22
Collateral — received	37	-	-	-

	2023			
	Less than 1 year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Greater than 5 years \$M
Payables	1,249	-	-	-
Uncalled investment-related commitments	168	118	136	38
Collateral — received	25	-	-	-

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 contracts and cross-currency interest rate swaps. All other derivatives are classified as net settled derivatives liabilities.

	2024			
	Less than 1 year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Greater than 5 years \$M
Net settled derivative liabilities — outflows	(800)	(789)	(1,964)	(1,455)
Gross-settled derivatives — cash inflows				
Forward foreign exchange contracts	20,386	-	-	-
Cross-currency interest rate swaps	208	208	447	151
Gross-settled derivatives — cash outflows				
Forward foreign exchange contracts	(20,474)	-	-	-
Cross-currency interest rate swaps	(71)	(71)	(146)	(73)

	2023			
	Less than 1 year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Greater than 5 years \$M
Net settled derivative liabilities — outflows	(474)	(447)	(1,205)	(509)
Gross-settled derivatives — cash inflows				
Forward foreign exchange contracts	22,071	-	-	-
Cross-currency interest rate swaps	241	231	511	252
Gross-settled derivatives — cash outflows				
Forward foreign exchange contracts	(22,170)	-	-	-
Cross-currency interest rate swaps	(55)	(48)	(102)	(120)

12.6 Fair value hierarchy

Overview

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

The table below analyses financial instruments carried at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	2024			
	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	122	-	122
Credit default swaps	-	2	-	2
Cross-currency interest rate swaps	-	49	-	49
Forward foreign exchange contracts	-	133	-	133
Futures	15	-	-	15
	15	306	-	321
Financial assets designated at fair value through surplus or deficit				
New Zealand equities	4,505	-	692	5,197
New Zealand government securities	-	21,311	-	21,311
New Zealand deposits at call	-	522	-	522
New Zealand debt securities	-	4,209	416	4,625
Australian equities	1,452	1,755	186	3,393
Overseas equities	7,854	-	20	7,874
Overseas deposits at call	-	202	-	202
Overseas debt securities	2	7,786	7	7,795
Cash pledged as collateral	-	134	-	134
Other investments	-	-	24	24
	13,813	35,919	1,345	51,077
Total financial assets	13,828	36,225	1,345	51,398
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	667	-	667
Cross-currency interest rate swaps	-	38	-	38
Forward foreign exchange contracts	-	222	-	222
Futures	8	-	-	8
	8	927	-	935
Financial liabilities designated at fair value through surplus or deficit				
Cash collateral received	-	37	-	37
Total financial liabilities	8	964	-	972

	2023			Total \$M
	Level 1 \$M	Level 2 \$M	Level 3 \$M	
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	154	-	154
Credit default swaps	-	3	-	3
Cross-currency interest rate swaps	-	46	-	46
Forward foreign exchange contracts	-	134	-	134
Futures	19	-	-	19
	19	337	-	356
Financial assets designated at fair value through surplus or deficit				
New Zealand equities	4,431	-	669	5,100
New Zealand government securities	-	15,600	-	15,600
New Zealand deposits at call	-	710	-	710
New Zealand debt securities	-	5,489	648	6,137
Australian equities	1,485	1,697	177	3,359
Overseas equities	10,159	-	11	10,170
Overseas deposits at call	-	317	-	317
Overseas debt securities	-	5,393	5	5,398
Cash pledged as collateral	-	831	-	831
Other investments	-	-	20	20
	16,075	30,037	1,530	47,642
Total financial assets	16,094	30,374	1,530	47,998
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	889	-	889
Cross-currency interest rate swaps	-	31	-	31
Forward foreign exchange contracts	-	233	-	233
Futures	26	-	-	26
	26	1,153	-	1,179
Financial liabilities designated at fair value through surplus or deficit				
Cash collateral received	-	25	-	25
Total financial liabilities	26	1,178	-	1,204

Reconciliation of Level 3 fair value movements

	2024 \$M	2023 \$M
Opening balance	1,530	1,859
Total losses recognised in net surplus (deficit) ⁽ⁱ⁾	(43)	(141)
Purchases	178	384
Sales	(204)	(572)
Transfers out of Level 3	(116)	-
Closing balance	1,345	1,530
Total losses stated on Level 3 instruments still held at balance date ⁽ⁱ⁾	(25)	(29)

Transfers between levels

During the year, there was a transfer out of Level 3 and into Level 2 of \$116 million (2023: no transfers between Levels). There were no significant transfers between Levels 1 and 2.

Note:

- (i) This is in change in fair value of financial instruments designated at fair value through surplus or deficit which forms part of investment revenue (see Note 4).

Level 3 sensitivity analysis

The sensitivity analysis table below shows the impact on the 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.

	Valuation technique	Significant unobservable inputs	Movement	Input (Range) 2024	Input (Range) 2023	2024		2023	
						Increase \$M	Decrease \$M	Increase \$M	Decrease \$M
New Zealand fixed interest	DCF Method	Discount rate	+/-50bps	6.28% - 6.65%	6.12% - 6.95%	(12)	13	(13)	13
New Zealand equity	DCF Method	Discount rate	+/-50bps	7.29% - 13.50%	6.25% - 13.50%	(17)	18	(13)	14
		Refinancing margin	+/-20bps	0.70% - 1.75%	2.30% - 3.00%	(5)	4	(7)	6
		Inflation ⁽ⁱ⁾	+/-50bps	2.00%	2.00%	-	-	-	-
Other investments	DCF Method	Discount rate	+/-50bps	6.34% - 9.35%	6.49% - 8.25%	(3)	3	(3)	3
Investment property ⁽ⁱⁱ⁾	DCF Method	Discount rate	+/-50bps	7.25% - 11.50%	5.85% - 12.00%	(11)	12	(14)	14
		Price	+/-10%	Not available	Not available	(56)	56	(58)	58

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.

Notes:

- (i) Impact is less than one million dollars for 2024 and 2023.
- (ii) Investment properties are not financial assets but are included in the sensitivity analysis for completeness with the other investment assets.

13. Property, plant and equipment, and intangible assets

Overview

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

Accounting policy

Measurement

Property, plant and equipment are initially recorded at cost including transaction costs. Subsequent to initial recognition, all items classed as property, plant and equipment are stated at cost less accumulated depreciation/ amortisation and any impairment in value.

Internally generated assets are carried at cost less accumulated amortisation and any impairment value. Research costs incurred in the investigation phase of internally generated software are expensed when incurred. Development costs are accumulated as work in progress until the project is completed, at which stage direct project costs are capitalised as an intangible asset.

Impairment occurs whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairments are recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of the asset's fair value less costs to sell and value in use. Value in use is determined using either a depreciated replacement cost approach, a restoration cost approach, or a service units approach depending on the nature of the impairment.

Software-as-a-Service arrangements

Software-as-a-Service (SaaS) arrangements are service contracts providing ACC with the right to access a cloud provider's application software over a contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses. Costs incurred for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The amortisation periods range from 5 to 7 years. The useful lives of these assets are reviewed at least at the end of each financial year.

Depreciation and amortisation

Depreciation and amortisation are calculated on a straight-line basis so as to allocate the cost or valuation of assets, less any estimated residual value, over their estimated useful lives.

The estimated useful lives are as follows:

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

	Leasehold improvements \$M	Computer equipment \$M	Intangible software assets \$M	Other property, plant and equipment \$M	Total \$M
Cost					
As at 30 June 2022	43	97	651	31	822
Additions	7	5	12	4	28
Impairment losses and other (including disposals and reclassifications)	(1)	(1)	(6)	-	(8)
As at 30 June 2023	49	101	657	35	842
Additions	5	7	6	2	20
Impairment losses and other (including disposals and reclassifications)	(2)	(1)	-	-	(3)
As at 30 June 2024	52	107	663	37	859
Depreciation/amortisation and impairment					
As at 30 June 2022	32	85	556	26	699
Depreciation/amortisation charge for the year	2	6	34	2	44
Impairment losses and other (including disposals and reclassifications)	(1)	(1)	(7)	-	(9)
As at 30 June 2023	33	90	583	28	734
Depreciation/amortisation charge for the year	2	6	27	3	38
Impairment losses and other (including disposals and reclassifications)	(1)	(1)	-	-	(2)
As at 30 June 2024	34	95	610	31	770
Net carrying value					
As at 30 June 2023	16	11	74	7	108
As at 30 June 2024	18	12	53	6	89

Work in progress

The table below presents the work in progress in property, plant and equipment and intangibles.

	Leasehold improvements \$M	Computer equipment \$M	Intangible software assets \$M	Other property, plant and equipment \$M	Total \$M
As at 30 June 2024	4	-	2	2	8
As at 30 June 2023	3	4	6	4	17

Impairment and write-offs

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

14. Payables and accrued liabilities

Overview

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

Accounting policy

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

	2024 \$M	2023 \$M
Payables under exchange transactions		
Unsettled investment transactions	213	525
Repurchase agreements	2,297	640
Claims expenditure	38	33
Sundry creditors	44	45
Other accrued expenditure	47	51
Total payables under exchange transactions	2,639	1,294
Payables under non-exchange transactions		
Working safer levy collected on behalf of Ministry of Business, Innovation and Employment	15	12
Goods and services tax	12	-
PAYE and earnings-related deductions	27	22
Total payables under non-exchange transactions	54	34
Total payables and accrued liabilities	2,693	1,328
Current	2,693	1,328
Non-current	-	-
Total payables and accrued liabilities	2,693	1,328

15. Employee entitlements and provisions

Overview

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

Accounting policy

Employee entitlements

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

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

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

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

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

Performance incentives are calculated and paid annually in arrears.

Provisions

Provisions are recognised when: there is a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the best estimate of expected future cash flows and discounted to present value where the effect is material.

	2024 \$M	2023 \$M
Employee entitlements		
Accrued pay	13	11
Performance incentives	8	7
Annual leave	26	24
Long service leave	10	9
Retirement leave	21	18
Total employee entitlements	78	69
Provisions		
Leasehold restoration	2	3
Restructuring	12	-
Levy refunds to business customers	-	4
Investment management performance fee	-	11
Total provisions	14	18
Total employee entitlements and provisions	92	87
Current		
Employee entitlements	52	46
Provisions	12	16
Total current	64	62
Non-current		
Employee entitlements	26	23
Provisions	2	2
Total non-current	28	25
Total employee entitlements and provisions	92	87

16. Commitments

Overview

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

Capital commitments

	2024 \$M	2023 \$M
Investment — private equity	188	336
Investment — infrastructure and building projects	67	157
Property development	10	1
Total undrawn capital commitments	265	494

The private equities include investments in several venture capital and private equity funds. In these investments, funds seek commitments from investors and call for the committed funds as they are required. ACC has committed to invest up to a total of \$761 million (2023: \$784 million) in these funds. Undrawn commitments to these investments are included in the table above.

ACC has committed to provide up to \$394 million (2023: \$410 million) to various infrastructure and building projects. Undrawn commitments to these investments are included in the table above.

Operating leases

ACC leases premises for its branch network and its corporate offices under non-cancellable operating lease agreements. These lease agreements have varying terms and renewal options. Operating lease incentives are recognised as a liability when received and are subsequently reduced by an offset to rental 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:

	2024 \$M	2023 \$M
Within one year	15	26
After one year but not more than five years	56	74
More than five years	107	110
Total	178	210

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

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

	2024 \$M	2023 \$M
Within one year	17	17
After one year but not more than five years	62	61
More than five years	56	68
Total	135	146

17. Contingent liabilities

Overview

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

Accounting policy

A contingent liability is disclosed when a possible obligation arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ACC. A contingent liability is also disclosed when a present obligation arising from past events is not recognised because it is not probable that settlement of the obligation will result in a cost to ACC, or the amount of the obligation cannot be measured with enough reliability.

Current litigation

Litigation involving ACC arises mainly from challenges to operational decisions made by ACC through the statutory review and appeal process, but also occasionally includes general civil proceedings such as judicial review applications. The majority of appeals are able to be managed on a case-by-case basis, depending on the merits of the issue in dispute, and without wider Scheme management impact. There is currently one proceeding of note that ACC is a party to (2023: three). Only when this matter has been fully resolved will it be possible to make a meaningful assessment of the financial impact of the outcome. The range of potential outcomes is wide, and could have a material effect on the financial statements of ACC.

Other contingent liability

A pay equity claim was raised to the employers of care and support workers through the Employment Relations Authority (ERA). The claim is to the employers of the care and support workers, but this could have an impact on the funding that ACC pays for home and community support services. There is uncertainty in the outcome and timing of any settlement from an ERA decision. The range of potential outcomes is wide, and could have a material effect on the financial statements of ACC.

18. Related parties

Overview

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

18.1 Investment in subsidiary

ACC owns 100% (2023: 100%) of Shamrock Superannuation Limited, which acts as the corporate trustee for the mysuper Superannuation Scheme. Shamrock Superannuation Limited is a non-trading New Zealand entity that does not have a material impact on the financial position of ACC. The investment ACC holds in Shamrock Superannuation Limited is valued at \$100 (2023: \$100).

18.2 Related party transactions

Transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies undertaken on the normal terms and conditions for such transactions. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship, on terms and conditions no more or less favourable than those that it is reasonable to expect ACC would have adopted in dealing with the party at arm's length in the same circumstances.

18.3 Key management personnel

The compensation for key management personnel is set out below:

	2024	2023
ACC Board members		
Remuneration (\$000)	420	480
Number of members	7.0	8.0
Executive team		
Remuneration (\$000)	4,650	5,079
Defined contribution plans (\$000)	414	443
Termination benefits (\$000)	-	621
Full-time equivalent members	8.8	9.3
Total key management personnel remuneration (\$000)	5,484	6,623

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2023: \$nil).

ACC did not provide any compensation to close family members of key management personnel during the year (2023: \$nil). ACC did not provide any loans to key management personnel or their close family members.

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

19. Events after balance sheet date

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

20. Explanation of significant variances against budget

Overview

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

The budget figures are those in ACC's Service Agreement 2023/24. The Service Agreement 2023/24 was prepared based on the preliminary claims valuation as at 31 December 2022, using economic assumptions at 28 February 2023.

The budget figures are consistent with the accounting policies adopted in preparing the financial statements. The budget figures are unaudited.

Explanations for significant variations from the budgeted figures approved by the Board are as follows:

20.1 Statement of comprehensive revenue and expense

Levy revenue and Government appropriation

Levy revenue and Government appropriation was over budget (2.56%) and is mainly the result of increased revenue in the Work and Earners' Accounts. Both are due to higher liable earnings reflecting high work force participation/low unemployment and growth in salaries and wages.

Though levy revenue exceeded budget for the year, the lifetime costs of new claims continue to be greater than levy revenue. If this continues for an extended period it could impact the financial sustainability of the Scheme.

Investment revenue

Investment revenue can be highly variable as it is dependent on movements in equity, bond and foreign exchange markets. ACC budgets for investment revenue 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 revenue was higher than budget due to movements in investment markets. Investment returns (after costs) were 7.46% which was 0.11% lower than market benchmarks but higher than budget rates of return.

Interest revenue has benefitted from strategic asset allocation weighting changes, increasing fixed interest assets held. Equity markets have risen more strongly than projected over the financial year, resulting in above budget equity-driven investment gains.

Claims paid

Claims costs exceed budget by \$176 million (2.51%), largely due to higher weekly compensation costs caused by lower-than-expected rehabilitation performance and an increase in the long-term claims pool. Rehabilitation costs are over budget with equipment costs and care hours higher than expected.

Increase in outstanding claims liability

The approved budgeted change in OCL was based on the OCL valuation as at 31 December 2022, using economic assumptions at 28 February 2023. The budget estimated the OCL increase to be \$3.3 billion between June 2023 and June 2024.

The actual OCL increase was \$8.7 billion (\$5.4 billion above budget) based on the June 2024 OCL valuation using economic factors at 30 June 2024. The difference is made up from the following items:

- The expected OCL increase from the June 2023 OCL valuation (with June 2023 economics) was \$3.5 billion (\$0.2 billion above budget).
- The single effective discount rate increased by 18 basis points during the year which decreased the OCL by \$1.8 billion. Increases in future inflation over the medium term partially offset the OCL decrease from the increase in discount rates by \$0.4 billion. The overall decrease in OCL from economic changes over the year was \$1.4 billion below budget.
- Changes due to claims experience and modelling resulted in a \$6.7 billion increase in OCL (\$6.7 billion above budget). This comprises an influenceable OCL increase of \$3.3 billion and a non-influenceable OCL increase of \$3.4 billion. Key drivers of this OCL increase include:
 - › increases in weekly compensation, due to a deterioration in rehabilitation rates over the past year particularly within the Earners' Account
 - › increases in social rehabilitation for clients with serious injuries as a result of growth in hours of attendant care and high levels of travel payments
 - › increases in sensitive claims, due to an increase in the number of reactivations of old claims (assumed to continue in 2024/25), as well as an increase in backdated weekly compensation payments in the Non-Earners' Account
 - › a \$3.6 billion additional provision to allow for the outcomes of court cases.

Change in unexpired risk liability

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

20.2 Statement of financial position

Accrued levy revenue

The accrued levy revenue has increased compared to budget due to an increase in expected levy revenue in the Work and Earners' Accounts (higher liable earnings and increased Earners' Account levy rate effective from 1 April 2024).

Receivables

Receivables as at 30 June 2024 are lower than budget reflecting a reduction in unsettled investment transactions at year end.

Investments

The net investment asset balance is higher than budget reflecting the actual investment gains achieved during the year.

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 and repurchase agreements of investments.

Outstanding claims liability

The actual OCL, based on the June 2024 actuarial valuation of claims liability using economic factors at 30 June 2024, is higher than the budgeted OCL which is based on the preliminary claims valuation as at 31 December 2022, using economic assumptions at 28 February 2023.

The most significant factors impacting the OCL are the deterioration in rehabilitation performance over the past year and the additional provision to allow for the outcomes of the court cases. Other factors affecting the OCL are identified in the 'Increase in outstanding claims liability' commentary above.

Unearned levy liability

The unearned levy liability is 2.87% over budget mainly due to increased revenue in the Work and Earners' Accounts. Both are due to higher liable earnings reflecting high work force participation/low unemployment and growth in salaries and wages.

Unexpired risk liability

The URL is the shortfall between the expected future levy revenue and future costs. The actual URL is higher than the budget. This is largely driven by rehabilitation performance impacting weekly compensation, and the flow-on impact this has on the new year cost of claims which immediately impacts the URL.

20.3 Statement of cash flows

Net cash outflows from operating activities was higher than budget due to the timing of cash from investment revenue and higher claims costs than anticipated. These variances were partly offset by higher levy revenue.

Remuneration of employees

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

\$000	2024	2023	\$000	2024	2023
\$100 – \$110	355	266	\$490 – \$500	2	4
\$110 – \$120	275	224	\$500 – \$510	1	-
\$120 – \$130	205	220	\$510 – \$520	1	-
\$130 – \$140	221	131	\$520 – \$530	1	-
\$140 – \$150	126	103	\$540 – \$550	1	1
\$150 – \$160	126	85	\$550 – \$560	2	-
\$160 – \$170	78	70	\$570 – \$580	1	1
\$170 – \$180	83	48	\$580 – \$590	-	1
\$180 – \$190	56	42	\$600 – \$610	3	1
\$190 – \$200	39	25	\$610 – \$620	1	1
\$200 – \$210	46	24	\$620 – \$630	-	1
\$210 – \$220	27	15	\$630 – \$640	-	1
\$220 – \$230	12	14	\$650 – \$660	1	-
\$230 – \$240	7	16	\$660 – \$670	-	2
\$240 – \$250	13	13	\$670 – \$680	1	1
\$250 – \$260	7	7	\$680 – \$690	1	1
\$260 – \$270	8	5	\$700 – \$710	1	1
\$270 – \$280	12	5	\$720 – \$730	2	-
\$280 – \$290	5	2	\$760 – \$770	-	1
\$290 – \$300	7	-	\$810 – \$820	1	-
\$300 – \$310	4	4	\$850 – \$860	1	-
\$310 – \$320	2	3	\$860 – \$870	1	-
\$320 – \$330	3	2	\$870 – \$880	-	1
\$330 – \$340	2	1	\$890 – \$900	-	1
\$340 – \$350	-	1	\$910 – \$920	1	-
\$350 – \$360	1	1	\$1,020 – \$1,030	-	1
\$360 – \$370	-	1		1,757	1,360
\$380 – \$390	1	1			
\$390 – \$400	-	2			
\$400 – \$410	1	-			
\$410 – \$420	1	-			
\$420 – \$430	1	1			
\$430 – \$440	2	4			
\$440 – \$450	2	-			
\$450 – \$460	1	2			
\$460 – \$470	3	1			
\$470 – \$480	2	1			

Twenty four staff received redundancy payments and/or settlement payments in 2024, totalling \$804,531 (2023: 18 staff, \$1,102,289), which is not included in the above table.

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

Auditor's Report



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ACCIDENT COMPENSATION CORPORATION'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2024

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 Ernst & Young, 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 consolidated financial statements of the Group on pages 96 to 163, that comprise the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated 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 which reports against the Group's statement of performance expectations for the year ended 30 June 2024 on pages 76 to 92 .

In our opinion:

- ▶ the consolidated financial statements of the Group:
 - ▶ present fairly, in all material respects:
 - ▶ its financial position as at 30 June 2024; 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 Group's performance information for the year ended 30 June 2024:
 - ▶ presents fairly, in all material respects, 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



**Building a better
working world**

Our audit was completed on 18 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Board is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand.

The Board is responsible for such internal control as it 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 and the Crown Entities Act 2004 and the Public Finance Act 1989.

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

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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.



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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 Group's statement of performance expectations.

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 performance information which reports against the Group's statement of performance expectations.
- ▶ We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ 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 8 to 72 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 (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out assurance services in relation to Greenhouse gas emissions, assurance services in relation to a cyber security assessment and provided remuneration data, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

A handwritten signature in black ink, appearing to read 'foz', is written over a horizontal line.

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



Ngā āpitihanga
Appendices



Āpiti hanga 1 – Tauāki Haumi | Appendix 1 – Investment statement

About the Fund

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

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

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.

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

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

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

The Investment team responds to continually evolving social considerations, such as ethical investing and climate change, when making investment decisions.

How investments fit into the ACC Scheme

Funding

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

Asset allocation

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

Active portfolio management

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

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

How ACC invests

Delivering returns while managing risk

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

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

Over time, we also want to avoid large swings in levy rates, which may be required to restore asset balances to align with funding ratio¹⁰ targets.

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

Factors that influence investment risk

Declines in real long-term interest rates

If interest rates declined without a corresponding decrease in inflation, this would lead to a decrease in our long-term expectations for investment returns, and thereby increase ACC's OCL. We aim to offset this risk by holding investment assets that tend to rise in value when real interest rates decline.

An increase in inflation

If inflation increases and bond yields increase, this will have a negative impact on the value of ACC's fixed-interest portfolios, as a large portion of our fixed-interest investments do not provide protection against inflation.

Poor returns in equity markets

Weak equity markets would likely result in a reduction in the value of ACC's investments, 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.

Allocating our funds

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

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

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

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

¹⁰ The measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each Account. The funding position is expressed as a ratio of the assets divided by the liabilities for each Account.

Allocating in New Zealand

We tend to invest a relatively large percentage of ACC's funds in New Zealand investment markets (refer 'Investing in New Zealand'), particularly fixed-interest assets with a long time to maturity. New Zealand fixed-interest assets match our claims liabilities better than the global fixed-interest markets. Overall, ACC has around 65% of the reserve portfolio assets invested in New Zealand.

The Investment team actively manages almost all of ACC's investments in New Zealand markets and most of ACC's investments in Australia. Active management means the team aims to identify and take advantage of situations where some sectors or securities within their markets are being mispriced in relation to their risks and prospects. We aim for consistent outperformance and seek to avoid exposing ACC to an above-average degree of market risk.

Board Investment Committee role

The ACC Board Investment Committee (BIC) is responsible for our investment strategy, policies and guidelines. The BIC consists of ACC Board members and expert external appointees.

The BIC operates within the delegated authority and risk appetite provided by the ACC Board and reports to the full Board on a regular basis.

The BIC is responsible for key decisions, including:

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

Investment decisions are delegated to ACC's in-house Investment team, while the BIC seeks to ensure they are made in a manner consistent with ACC's investment objectives.

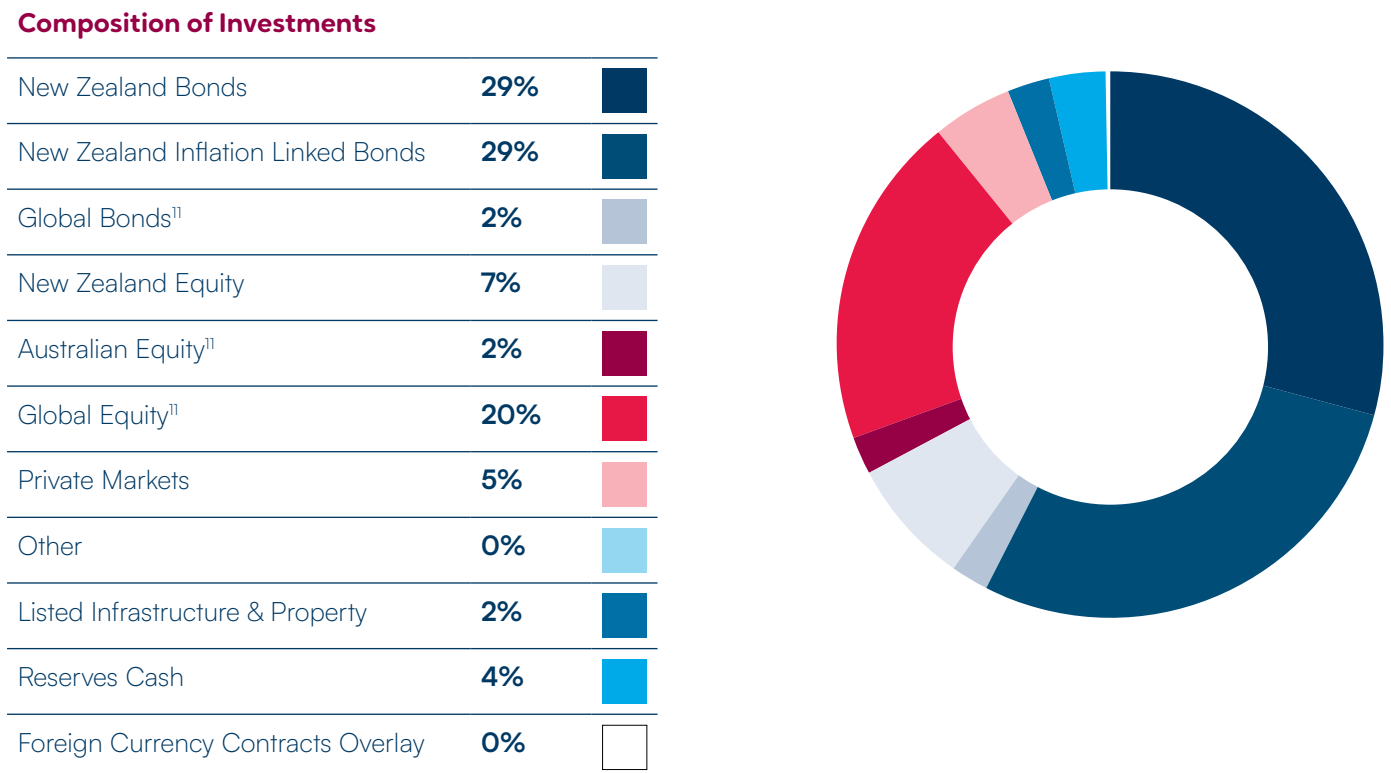
The Investment team may make short- or medium-term decisions to vary from the benchmark allocations, within risk-control parameters set by the BIC.

Diversification of investments

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

Investments category	Types of Investments
Cash	Cash, bank bills, deposits and commercial paper.
Debt	New Zealand Government, local authority, corporates, asset-based securities, supranationals, semi-government and agencies.
Equities	New Zealand, Australian, global including emerging market equities.
Private equity	Unlisted assets, private equity and venture funds.
Real assets	Infrastructure, real estate.
Overlay portfolios	Interest rate swaps, foreign currency and futures.

Figure 5: Composition of investments



¹¹ Global Equity and Australian Equity slice includes effective exposure to equity markets obtained through futures contracts. Global Bond slice includes effective exposure to bond markets obtained through futures contracts. However, this pie chart has not been adjusted for the effective exposure to bond markets arising from the use of Interest Rate Derivatives as an asset allocation overlay. The manager benchmark effective exposure of Interest Rate Derivatives represented 8% of Total Reserves at the end of June 2024.

Overlay portfolios

ACC also uses 'overlay strategies' to generate outperformance, manage exposure to different investment markets and provide protection against factors that influence investment risk. We use instruments such as New Zealand interest rate derivatives, global equity futures, foreign exchange forwards and global bond futures.

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 BIC has approved a set of credit criteria, including credit and portfolio limits for internally managed portfolios. These credit limits are designed to limit exposure to counterparties with a risk of defaulting when ACC seeks higher investment returns.

As ACC is a Crown Financial Institution, the Minister of Finance sets expectations on the use of derivative instruments through the annual Letter of Expectations to ACC. ACC recognises and adheres to these expectations when using derivative instruments and within the control framework outlined above.

Investment performance – short term

7.62%

2023/24 return (before costs)

7.58%

2023/24 benchmark target

1.57%

average return in the last 3 years

	2023/24 Financial year			Average last 3 years	
	\$M	Portfolio	Benchmark	Portfolio	Benchmark ¹²
Cash Portfolio	476	6.18%	5.80%	3.88%	3.55%
Reserves Portfolios by Asset Class:					
Reserves Cash	1,360	6.08%	5.77%	3.85%	3.58%
New Zealand Inflation Linked Bonds	13,902	5.71%	5.80%	0.62%	1.48%
New Zealand Bonds	14,270	6.55%	4.90%	-2.16%	-2.97%
New Zealand Equity	3,598	-4.65%	-4.02%	-3.10%	-3.52%
Listed Infrastructure & Property	1,188	-2.85%	-4.50%	0.53%	-1.83%
Private Markets ¹³	2,314	3.07%		2.99%	
Australian Equity	1,195	7.24%	9.74%	4.96%	4.75%
Global Bonds	1,169	7.30%	5.06%	2.53%	0.52%
Global Equity	9,726	18.05%	20.86%	9.56%	10.97%
Interest Rate Derivative Overlay ¹⁴	-217	-0.05%	-0.05%	-0.33%	-0.41%
Equity Future Overlay ^{13, 14}	37	0.04%		0.17%	
Bond Future Overlay ^{13, 14}	9	0.00%		0.04%	
Foreign Currency Overlay ¹⁵	17	0.05%	0.18%	-0.69%	-0.56%
Total Reserves	48,568	7.62%	7.58%	1.57%	1.12%
By Funding Account:					
Earners	12,419	8.20%	8.29%	2.05%	1.57%
Motor Vehicle	14,437	6.48%	6.15%	0.67%	0.18%
Work	10,638	8.01%	7.75%	1.83%	1.23%
Non-Earners	5,544	9.12%	9.82%	2.65%	2.51%
Treatment Injury	5,530	7.10%	7.19%	1.32%	0.97%
Total Reserves	48,568	7.62%	7.58%	1.57%	1.12%

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 PBE IPSAS 41 requirements. This table shows investment returns after the deduction of some direct costs such as commissions (brokerage) and costs directly relating to the management of specific property investments. However, returns are shown prior to investment management costs of \$74.45 million (including fees paid to external fund managers and the remuneration of ACC's investment staff), which detracted 0.16% from investment returns in 2023/24. Returns are shown net of tax, whereas the benchmarks make no allowance for tax. However, as ACC isn't liable for tax in New Zealand, offshore withholding taxes paid by ACC have reduced the calculated return by 0.026%. Actual percentages of total subject to rounding.

¹² Total Reserves and Funding Account benchmark returns for 2022/23 have been restated to correct for a benchmark calculation error. The restatement has decreased the 2022/23 Total Reserves benchmark return from 7.27% to 7.15% and the 2023/24 average last 3 years benchmark return from 1.16% to 1.12%.

¹³ Benchmark returns are not shown, as there is no benchmark allocation for this asset class.

¹⁴ The percentages in the 'Portfolio' columns show the contributions that these overlays made to the aggregate Reserves Portfolio return, rather than as a return on the funds physically invested in these derivative strategies. The percentages in the 'Benchmark' columns show the contribution that a 'benchmark-neutral' application of these strategies would have made to the benchmark for the aggregate Reserves Portfolio.

¹⁵ Foreign Currency Overlay shows the effect of foreign exchange derivatives used to adjust the foreign currency exposures of ACC's Reserves Portfolio. The benchmark return is calculated as the currency hedging that would have been required to maintain the currency exposures built into ACC's Reserves Portfolio benchmarks.

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

New Zealand debt	New Zealand long-term government bond yields were mostly unchanged during ACC's financial year, producing higher bond prices due to the yield of these investments. Given this, the New Zealand bond market delivered a decent positive return. For ACC, active management of its nominal bond portfolio added significant value over the year, enhancing the total return on the portfolio and hence ACC's Reserves. This was largely due to the compensation for taking credit risk and the management of interest rate risk, including yield curve.
New Zealand, Australia equity markets	The New Zealand sharemarket materially underperformed most other developed markets over the last year, including Australia. In part this was due to its relatively large exposure to interest rate sensitive sectors (i.e. utilities and real estate). Our internally managed portfolios generally outperformed on a 3-to-5-year basis, and 2024 was a difficult year for our active managers with three of six actively managed portfolios finishing ahead of their benchmark. The Australian Small Caps and Listed Infrastructure portfolios were notable outperformers, while NZ Listed Property finished slightly ahead of its benchmark.
Global markets	<p>It was a good year for global equity markets in the past financial year, with ACC's benchmark for international stocks returning 20.9% (in New Zealand dollars without currency hedging). Our investments in international stocks did not do as well as their benchmarks.</p> <p>Information Technology was the top-performing sector making the largest contribution to global benchmark return. In aggregate our external managers held an underweight to Information Technology, which hurt relative performance.</p> <p>Three out of the eight equity portfolios run by external managers beat their benchmarks and five underperformed.</p>
Private market investments	The private market portfolios generated a 3.07% return in 2023/24. ACC's private market investment activities span property, infrastructure, private equity and debt. ACC holds assets in Australasia both directly and in funds. Highlights of the latest year included participation in the Special Purpose Vehicle providing up to \$400 million funding for Wellington City Council's Sludge Minimisation Facility (SMF).
Asset allocations	Asset allocation effects subtracted 0.09% from total returns. This was mostly the result of a negative return impact of 0.11% from the difference between the benchmarks given to equity managers compared with the benchmarks used to measure the aggregate asset class. This included the use of a lower-than-market risk benchmark for one of the managers. Other contributors to asset allocation such as asset class tilts were broadly neutral over the financial year.

Long-term objectives

The long-term Investment objectives:

- ACC has a fiduciary duty to invest as a trustee. It is important that ACC strike the right balance between return and risk. Higher investment income over time would contribute to lower levies, but higher investment income needs to be balanced with the higher potential for losses that could increase levy rates into the future.
- ACC is guided by its ethical investment policy and aims to incorporate ethical themes into investment decision-making, including our commitment to reducing carbon emissions.
- Health and safety are central to ACC. We aim to incorporate health and safety considerations into investment decision-making.
- We also aim to deliver value for money through prudent cost management to maintain a low-cost fund that is fit for purpose.

Investment performance – long term

9.26%

return since 1992

\$1,692

growth of \$100 since 1992

ACC Investments has outperformed its benchmark for 30 of the past 32 years. ACC’s consistent outperformance has been achieved by our longstanding and experienced team.

The consistency of ACC’s historical investment performance has helped ACC to achieve compound returns from the Reserves Portfolio of more than 9% per annum for the past 32 years.

Figure 6: ACC financial year returns against benchmark

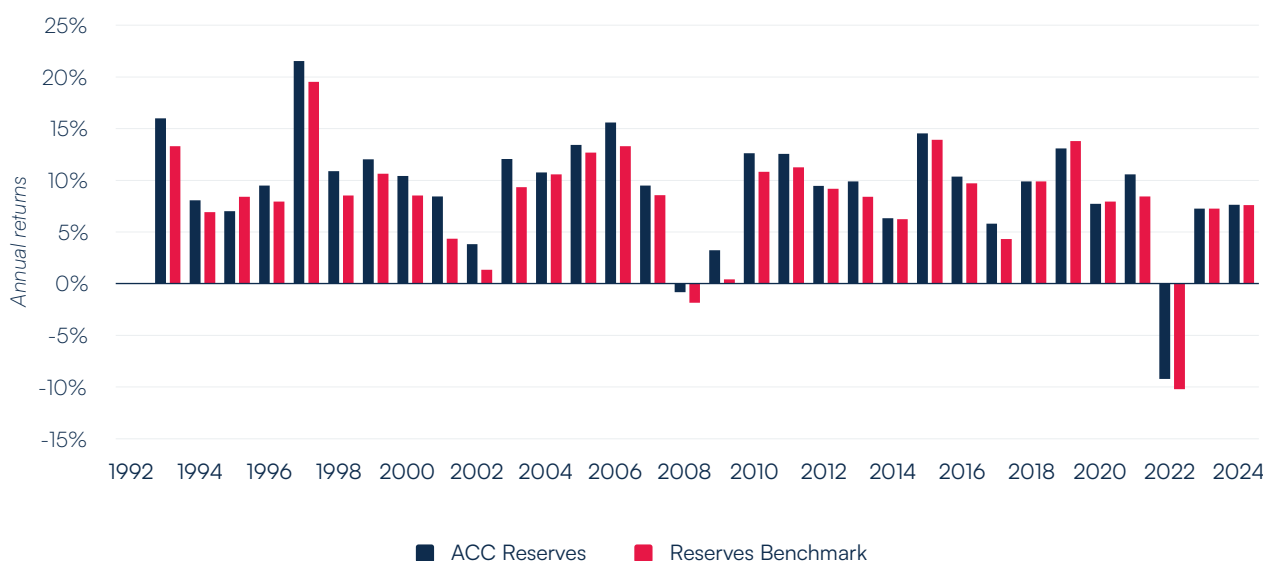


Figure 7: ACC 32-year reserves portfolio returns

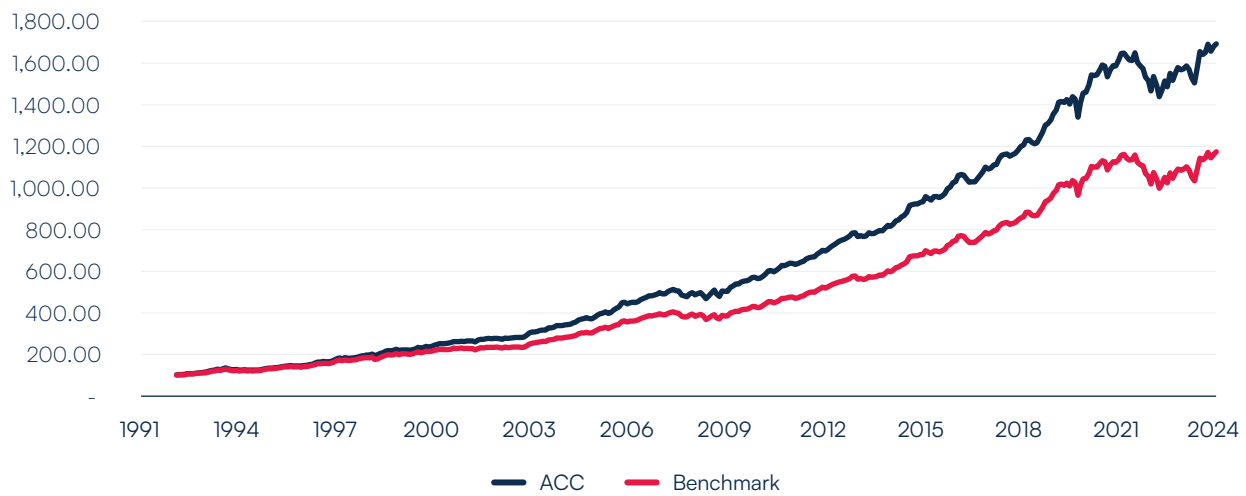


Figure 8: ACC 32-year New Zealand bond returns

The New Zealand bond portfolio has outperformed its benchmark in 30 of the past 32 years.

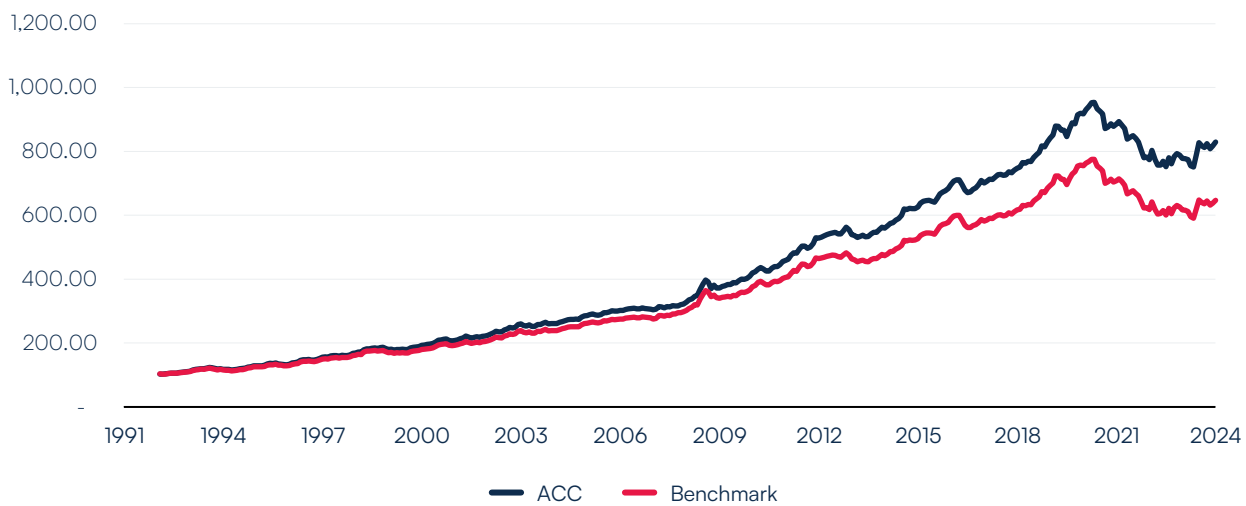


Figure 9: ACC 32-year New Zealand equity returns

The New Zealand equity asset class has outperformed its benchmark in 25 of the past 32 years.

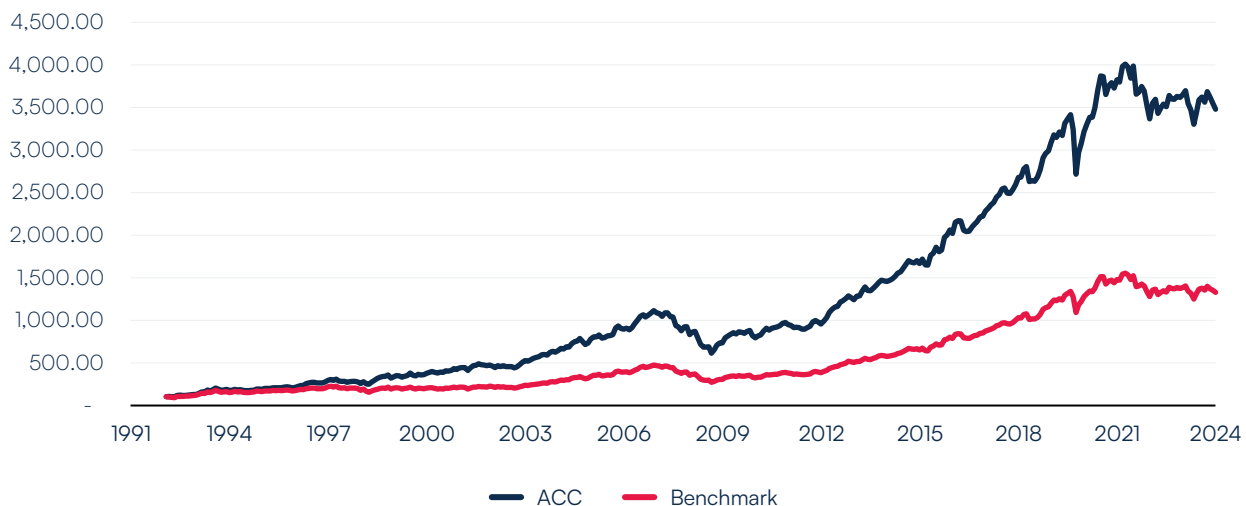


Figure 10: ACC 30-year 5-month global equity returns

The global equity asset class has outperformed its benchmark for 18 of the past 30 years.

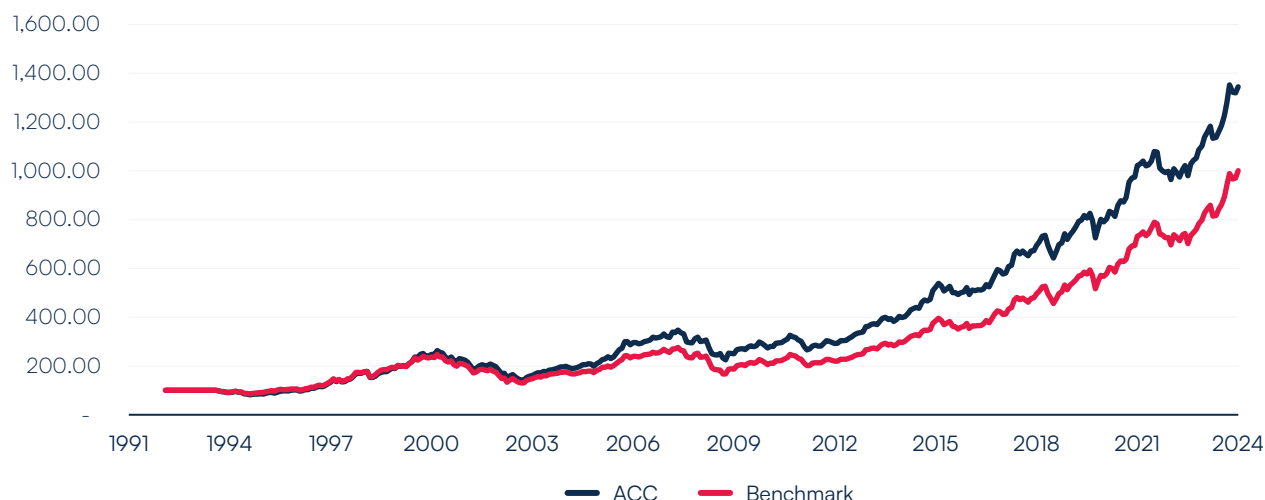
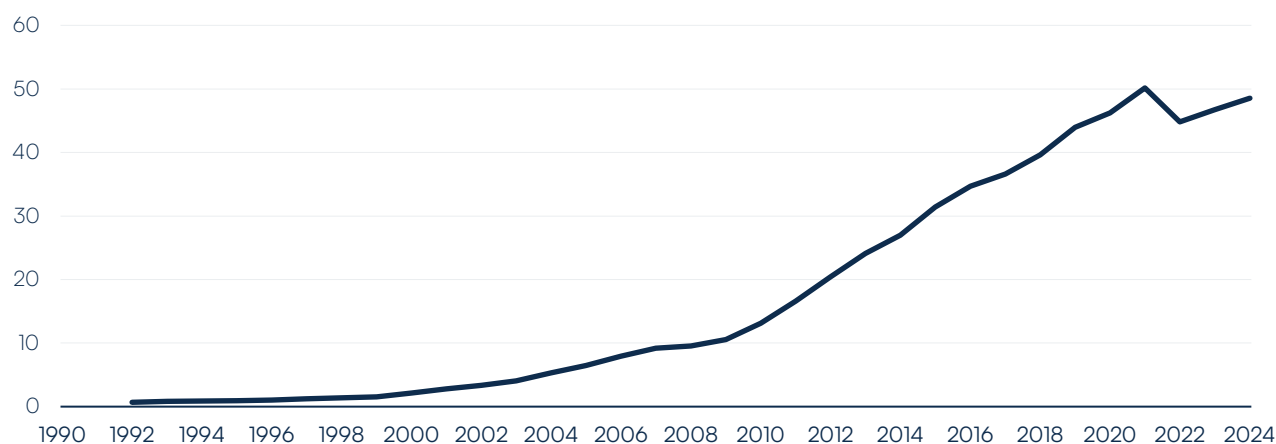


Figure 11: Value of ACC’S Reserves Portfolio (\$48.6 billion)

ACC’s Reserves Portfolio has increased in value from \$47.1 billion last year to \$48.6 billion at the end of June 2024. The increase is the impact of strong positive investment returns, which has been offset by withdrawals (\$1,650 million) for operational cashflow needs.



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

Long-run expected investments returns

Future investment returns

Based on historical returns, we expect future returns to average around half of what has been achieved historically (i.e. closer to 5% per annum rather than the 10% historically achieved). This is because interest rates are low relative to historical levels, and other investment assets such as equities are starting from high valuation levels.

The likelihood of negative returns

ACC has had only two instances of negative overall investment returns in the past 30 years, including the most recent financial year. However, for the same reasons that we expect future investment returns to be lower than historically, the likelihood of negative returns has increased. Going forward, we expect a negative return about once in every 5 years.

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

- A rise in bond yields. However, ACC's overall financial position would improve as a result, as the claims liability would decrease by an even greater amount than the decline in investment returns.
- A general decline in foreign and domestic equity prices. Using current allocations for ACC as a whole, equity returns of around -10% over a year would be far enough below our current expectations to offset the expected returns from other assets.

Āpitihanga 2 – He kuputaka | Appendix 2 – Glossary of terms

ACC Scheme

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

Accident Compensation Act 2001

The major piece of legislation under which ACC is governed.

Bridging measures

Metrics that give visibility on key strategic areas, but which do not yet have performance targets. These relate to new strategic goals. As data accumulates, evidence-based performance targets will be set.

Business customer

A business that pays a levy under the Scheme.

Client

A person who makes a claim under the Scheme.

Consumer price index

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

Crown entity

An organisation in which the Government has a controlling interest.

Customer

A client, provider or business customer.

Earners' Account

The Account for non-work injuries to people in employment that occur outside work (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 (FTE)

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

Funding ratio

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

Gradual process claims

Claims as a result of injuries that occurred due to prolonged exposure in the workplace to conditions that result in some form of harm (e.g. hearing loss).

Gross domestic product (GDP)

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

Health provider

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

Huakina Te Rā

Huakina Te Rā is our enterprise strategy for 2023-2032. Huakina Te Rā means to 'open the sail', and is the command that calls ACC to action, engaging the sails of our waka into momentum towards our destination. Underpinned by Te Tiriti o Waitangi/The Treaty of Waitangi, our strategy seeks to achieve equitable wellbeing outcomes for the people we serve. It is developed with a dual framework that acknowledges both Te Tiriti partners as represented by a waka hourua.

Labour cost index

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

Levies

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

Long-Term Claim Pool

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

Motor Vehicle Account

The Account for all road-related injuries.

New claims registered

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

Non-Earners' Account

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

Outstanding Claims Liability (OCL)

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

Pay-as-you-go basis

Funding the costs of injuries as the costs are incurred.

Return on investment

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

Statement of Intent

A statutory document that covers a 4-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 (2023-2027).

Te Kāpehu Whetū

Te Kāpehu Whetū is the name of ACC's Māori Outcomes Framework. The name Te Kāpehu Whetū means the 'Star Compass' and was gifted to ACC by the ACC Māori Cultural Capability team. The name acknowledges that ACC is on a journey towards achieving wellbeing outcomes for Māori and that it will need to use agreed markers (such as conceptual outcomes, measures and data) to ensure it reaches its destination.

Treatment Injury Account

The Account for injuries arising during medical treatment.

Waka hourua

Te Waka Hourua means double hulled canoe and represents a partnered approach between tangata whenua (indigenous people of Aotearoa, New Zealand) and tangata Tiriti (people in Aotearoa New Zealand by right of Te Tiriti o Waitangi/the Treaty of Waitangi) toward a common purpose.

Weekly compensation

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

Work Account

The Account for injuries that occur in the workplace.

Āpitihanganga 3 – He rārangi o ngā inega mahi |

Appendix 3 – Glossary of performance measures

ACC listened to and understood our whānau

The percentage of managed clients who agree or strongly agree with the statement: “The people I have dealt with at ACC have listened and understood my personal circumstances”. Presented as a rolling four-quarter result.

Average weekly compensation days paid

The average number of weekly compensation days paid for all clients returning to work (exits) with fewer than 365 days paid. Presented as a 52-week rolling result.

Business customer satisfaction

The percentage of business customers who are satisfied or very satisfied that ACC met the needs of their business. The measure includes self-employed persons and the owners or senior managers of small, medium and large businesses who have had personal contact with ACC in the last 12 months. Presented as a rolling four-quarter result.

Claim lodgement ratio for Māori

Proportion of accepted claims for Māori compared to the Māori population of Aotearoa New Zealand (number of claims made per 1,000 of population). Presented as a rolling four-quarter result.

Employee engagement

Employee engagement is measured annually using a Gallup survey tool. The overall engagement score is the grand mean for all employees across 12 questions that cover aspects of engagement including basic needs, management support, teamwork and belonging, and growth. Presented as a point-in-time result.

Growth rate of the Long-Term Claim Pool

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

Health provider satisfaction

The percentage of health providers who are satisfied or very satisfied with their current relationships with ACC. Presented as a rolling four-quarter 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.

Lost-time injury frequency rate

The number of lost-time incidents per million hours worked. Presented as a year-to-date result.

New year costs movement

Annual movement in the expected lifetime cost to ACC for new accidents, excluding the effects of legislation and policy changes and changed in economic conditions. Presented as a point-in-time result.

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

The number of category 3, 4 and 5 privacy breaches and near misses (as defined by the Government Chief Privacy Officer’s privacy matrix based on date of notification). Excludes incidents where behaviour occurred three or more years ago. Presented as a year-to-date result.

Overall client satisfaction

The percentage of managed clients who report being satisfied or very satisfied with how their current claim has been handled by ACC. Clients who have received an entitlement in the last 70 days are included (excluding Serious Injury and Sensitive claims). Presented as a rolling four-quarter result.

Overall satisfaction — Māori clients

The percentage of managed clients who identify as Māori who report being satisfied or very satisfied with the way their current claim has been handled by ACC. Clients who have received an entitlement in the previous 70 days are included (excluding serious injury and sensitive claims). Presented as a rolling four-quarter 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.

Public trust and confidence

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

Return on Investment (Injury Prevention)

The return on investment from our injury prevention investments. This consists of two parts: the historical value of claims saved divided by the cost of the interventions to date; and the 10-year expected claims saved divided by the likely future cost of the interventions. The future investment and value of claims saved in the calculation of the return on investment are discounted using our expected investment rate of return. The measure excludes ACC's investment with WorkSafe New Zealand. Presented as an evaluation of the costs and savings at a point in time.

Return to independence for those not in the workforce

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

Sustained return to work rate

The percentage of clients in the Work Account who have returned to work and have remained at work. Presented as a rolling four-quarter result.

Total recordable injury frequency rate

The number of lost-time incidents, restricted work incidents and medical treatment incidents per million hours worked. Presented as a year-to-date result.

He rārangi ingoa | Directory

Our three main contact centres are open Monday to Friday, 8 a.m. to 6 p.m.

Claims

0800 101 996

claims@acc.co.nz

Business

0800 222 776

business@acc.co.nz

Providers

0800 222 070

providers@acc.co.nz

Claims

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

Business and levies

Business and levies	0800 222 776	business@acc.co.nz
From overseas	+64 7 859 8675	ACC Business Service Centre PO Box 795 Wellington 6140
Managing employee injuries (Injury management)	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 242 Wellington 6140

Providers

Health and service providers	0800 222 070 0800 222 183 (Fax)	providerhelp@acc.co.nz Northern Service Centre PO Box 90341 Auckland 1142
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General questions

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 0800 750 222 (Fax) +64 7 859 8560 (Overseas)	customerfeedback@acc.co.nz Customer Resolution Freepost 264 PO Box 892 Hamilton 3240
Media		media@acc.co.nz ACC Media Team PO Box 242 Wellington 6140



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0800 101 996

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