

**From:** [I Lees-Galloway \(MIN\)](#)  
**To:** [Paula Rebstock](#)  
**Cc:** [Vicky Holmes](#)  
**Subject:** Enduring Letter of Expectations for Statutory Crown Entities  
**Date:** Tuesday, 15 October 2019 9:18:29 AM  
**Attachments:** [image001.jpg](#)  
[ELOE 2019.pdf](#)

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Dear Dame Paula

Collectively we need to consider how you can contribute to the Government's objectives, both through what you deliver and how you deliver it.

To help achieve this we attach an enduring letter of expectations (ELOE), which replaces the previous enduring letter of expectations from 2012.

Our ELOE focusses on our expectations for seamless Government, board role and integrity, workforce matters, Maori Crown relationships, and entities applying a wellbeing approach to their work, including the need to address climate change.

Yours sincerely

**Hon Grant Robertson Hon Chris Hipkins**  
**Minister of Finance Minister of State Service**

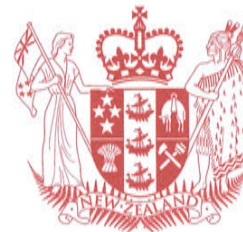
Yours sincerely,



Office Hon Iain Lees-Galloway  
Minister for Workplace Relations and Safety  
Minister of Immigration  
Minister for ACC  
Deputy Leader of the House | MP for Palmerston North  
P: 64 (4) 817 8713 | E: [x.xxxxxxxxxxxxxx@xxxxxxxxxx.xxxx.xx](mailto:x.xxxxxxxxxxxxxx@xxxxxxxxxx.xxxx.xx)

*Authorised by Hon Iain Lees-Galloway, Wellington*

# Hon Grant Robertson



## MP for Wellington Central

Minister of Finance

Minister for Sport and Recreation

Minister Responsible for the Earthquake Commission

Associate Minister for Arts, Culture and Heritage

Dear Board Chairs of Statutory Crown Entities

## Enduring Letter of Expectations

This letter replaces the previous enduring letter of expectations that was published on 26 July 2012. It sets out our expectations of all statutory Crown entities. This letter should be considered within the context of the Crown Entities Act and other relevant legislation.

### A unified value-based government for all New Zealanders

You and your board members are in your roles, not only because of your passion for the entity you lead and collectively govern, but because all New Zealanders need your help, your ideas and your enthusiasm.

Your Board is the steward of the Crown's ownership interest and the primary monitor of the entity's performance. We expect you to regularly and transparently report on entity performance, risks and opportunities to your Minister. In doing so, we expect you to have a constructive working relationship with your monitoring department.

We expect the way your Board goes about its work is grounded in acting in a spirit of service to everyone in our community and with integrity and care. This means you are open and transparent, managing the public's money and assets wisely and doing the right thing in all circumstances including managing conflicts.

As State sector employers we expect you to work with your agency's chief executive and management team to:

- ensure your workplaces are safe;
- ensure your workplaces are diverse and inclusive;
- make substantive progress to close any ethnic or gender pay gaps and narrow the gap between the highest and lowest earners in the workplace; and
- ensure that employees have a voice in their workplace, including through effective and productive relationships with any relevant unions.

We also expect you will continue to take account of the Government's Expectations on Employment Relations in the State Sector.

As a general rule, you should inform your Minister promptly of matters of significance within his or her portfolio responsibilities, particularly where these matters may be controversial or may become the subject of public debate.

### Supporting future-focussed Māori Crown relations

We expect your entities to embody the Government's good-faith and collaborative approach to Māori Crown relationships by:

- engaging appropriately and often with Māori on relevant issues;

- pursuing further opportunities for partnership with Māori entities and businesses;
- building staff Māori cultural capability including knowledge of tikanga Māori, te ao Māori, New Zealand history and how to address institutional racism;
- improving the Treaty-consistency of policy and practices (for example, considering where whanau-centred policies can be used); and
- supporting the Maihi Karauna by promoting and supporting the revitalisation of te reo Māori.

### **Contributing to improving wellbeing**

New Zealand needs a high performing public sector that is strongly focussed on improving current and future wellbeing. Although there are many definitions of wellbeing, we see it as people having the capabilities to live lives of purpose, balance and meaning to them.

Our desire is to embed a wellbeing approach across the public sector. All public sector agencies contribute to achieving our wellbeing vision in some way. We have identified three elements of a wellbeing approach that you should consider as you look at your direction and contribution and to be reflected in your external reporting. The three elements are:

- Taking a whole of government approach – stepping out of the silos of agencies and working seamlessly together to assess, develop and implement plans to improve wellbeing.
- Looking at intergenerational outcomes – focussing on meeting the needs of present generations at the same time as thinking about the long-term impacts on future generations.
- Moving beyond narrow measures of success and considering impacts, both positive and negative, across a broader set of areas.

A specific example is the recognition that the current and future wellbeing of New Zealanders is reliant on a stable climate and living within ecological limits. We expect the State sector to lead by example by taking active steps to reduce greenhouse gas emissions, improve energy efficiency and reduce waste outputs.

As Crown entities your performance plays a critical role in supporting and improving the wellbeing of New Zealand through what you deliver and in how you work to deliver it.

### **Public Service Reform**

We are in the process of modernising the public service, including reviewing the public finance system to achieve our wellbeing objectives. You will hear more on these reforms as they progress and have the opportunity to engage on their implementation. Our plan is to review this letter following the passage of the new Public Service legislation.

Yours sincerely



Hon Grant Robertson  
**Minister of Finance**



Hon Chris Hipkins  
**Minister of State Services**

**From:** [Vicky Holmes](#)  
**To:** [9\(2\)\(a\)](#); [Sarah Simpson](#); [Deborah Roche](#)  
**Subject:** FW: Enduring Letter of Expectations for Statutory Crown Entities  
**Attachments:** [ELOE 2019.pdf](#)

---

Good morning

Please find attached an updated Enduring Letter of Expectations for Statutory Crown Entities, that was sent to Dame Paula by Hon Grant Robertson and Hon Chris Hipkins, via our office.

Please distribute this as appropriate and action accordingly.

Kind regards

Vicky

**Vicky Holmes - Private Secretary (ACC)**

Office of Hon Iain Lees-Galloway

Minister for Workplace Relations and Safety, ACC, and of Immigration

Deputy Leader of the House

4.5R, Executive Wing | Private Bag 18041 | Parliament Buildings | Wellington 6160 | New Zealand |

**From:** I Lees-Galloway (MIN)

**Sent:** Tuesday, 15 October 2019 9:18 AM

**To:** [9\(2\)\(a\)](#)

**Cc:** Vicky Holmes

**Subject:** Enduring Letter of Expectations for Statutory Crown Entities

Dear Dame Paula

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To help achieve this we attach an enduring letter of expectations (ELOE), which replaces the previous enduring letter of expectations from 2012.

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Yours sincerely

Hon Grant Robertson Hon Chris Hipkins

Minister of Finance Minister of State Service

Yours sincerely,



Office Hon Iain Lees-Galloway

Minister for Workplace Relations and Safety

Minister of Immigration

Minister for ACC

Deputy Leader of the House | MP for Palmerston North

P: 64 (4) 817 8713 | E: [x.xxxxxxxxxxxxx@xxxxxxxxx.xxxx.xx](mailto:x.xxxxxxxxxxxxx@xxxxxxxxx.xxxx.xx)

*Authorised by Hon Iain Lees-Galloway, Wellington*

**From:** [Donna Engel](#)  
**To:** [Vicky Holmes](#)  
**Cc:** [Allanah Andrews](#)  
**Subject:** FW: ACC - Enduring Letter of Expectations for Statutory Crown Entities  
**Date:** Friday, 18 October 2019 11:58:44 AM  
**Attachments:** [1910.16 Acknowledgement of new Enduring LoE .pdf](#)

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Hi Vicky

Please find attached Dame Paula's reply to Hon Grant Robertson and Hon Chris Hipkins regarding their Enduring Letter of Expectations. Can you please forward it to both Hon Grant Robertson and Hon Chris Hipkins?

Dame Paula also wanted both Minister Lees-Galloway and Minister Jackson to receive a copy.

Kind regards,

Donna


**Donna Engel**, Senior Advisor, Ministerial Servicing, ACC  
 Tel [9\(2\)\(a\)](#)

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**From:** Vicky Holmes <[9\(2\)\(a\)](#)>  
**Sent:** Tuesday, 15 October 2019 9:22 AM  
**To:** Margaret Bearsley <[9\(2\)\(a\)](#)>; Sarah Simpson <[9\(2\)\(a\)](#)>; Deborah Roche <[9\(2\)\(a\)](#)>  
**Subject:** FW: Enduring Letter of Expectations for Statutory Crown Entities  
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 Please distribute this as appropriate and action accordingly.  
 Kind regards  
 Vicky  
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 Office of Hon Iain Lees-Galloway  
 Minister for Workplace Relations and Safety, ACC, and of Immigration  
 Deputy Leader of the House  
 4.5R, Executive Wing | Private Bag 18041 | Parliament Buildings | Wellington  
 6160 | New Zealand |

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Minister for Workplace Relations and Safety  
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P: 64 (4) 817 8713 | E: [x.xxxxxxxxxxxxx@xxxxxxxxx.xxxx.xx](mailto:x.xxxxxxxxxxxxx@xxxxxxxxx.xxxx.xx)

*Authorised by Hon Iain Lees-Galloway, Wellington*

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<1910.16 Acknowledgement of new Enduring LoE\_.docx>

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Hon Grant Robertson  
Minister of Finance, and  
Hon Chris Hipkins  
Minister of State Services

Private Bag 18041  
Parliament Buildings  
Wellington 6160

16 October 2019

Dear Ministers

### **Enduring Letter of Expectations**

On behalf of the Board of ACC, I acknowledge receipt of the new, 15 October 2019, Enduring Letter of Expectations. I assure you of our total commitment to acting in a spirit of service, and with care and integrity, to ACC's customers and to the broader community.

ACC focuses particular attention on the health, safety and wellbeing of its employees. This extends to having policies on diversity and inclusion, working to reduce pay gaps, and encouraging worker representation.

Our Whāia Te Tika Māori Strategy aligns well with the Government's good-faith and collaborative approach with Māori. ACC is committed to partnering with Māori and their whānau, ensuring that together we minimise the incidence and impact of injury for Māori.

As is reflected in ACC's 2019 Annual Report, ACC is already including our contribution to the Government's wellbeing vision in our external reporting.

ACC is an active participant in several multi-agency family violence reduction initiatives, including Whāngaia Ngā Pā Harakeke in Tairāwhiti and Counties Manukau, and the Integrated Safety Response in Christchurch.

ACC also takes a broad, cross-sector approach through its injury prevention investments across a range of sectors in New Zealand. These include injury prevention measures across the wider health sector to reduce treatment injuries, investments Ghandi Nivas in Auckland and our secondary schools initiative Mates & Dates, to reduce the incidence of family and

sexual violence, and partnering with the Ministry of Transport and with other agencies, to improve road safety.

In terms of taking steps to reduce our greenhouse gas emissions, as reported in the 2019 Annual Report, ACC is actively incorporating environmental aspirations with our corporate activities, to reduce waste and improve energy efficiency.

I am available to discuss any of these matters with you, should you find this helpful.

Yours sincerely

A handwritten signature in blue ink that reads "Dame Paula Rebstock DNZM".

Dame Paula Rebstock DNZM

**ACC Board Chair**

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**From:** [Donna Engel](#)  
**To:** [Vicky Holmes](#)  
**Subject:** [SEEMAIL IN-CONFIDENCE] - Select Committee - standard questions  
**Date:** Monday, 10 February 2020 5:25:48 PM  
**Attachments:** [2018-19 Annual Review.pdf](#)

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[SEEMAIL]


Hi Vicky

For your information, please find attached our responses for our hearing at 10.45am-12pm, Wednesday 19 February, at Parliament Buildings.

**Please note:** We are still waiting for Question 110 (climate change) to be approved. Although I've sent it off to the printers so I'm hoping it'll be approved!

Thanks,

Donna

 **Donna Engel**, Senior Advisor, Ministerial Servicing, ACC  
Tel [9\(2\)\(a\)](#)

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Out of scope

**Question 110: What actions, if any, have been taken to lower greenhouse gas emissions; and how does the level of greenhouse gas emissions in 2018/19 compare to previous years? What is the total cost of this work?**

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ACC takes our responsibilities regarding climate change and sustainability extremely seriously. As a state sector agency, we recognise the leadership role we must play by taking active steps to reduce greenhouse gas emissions, improve energy efficiency and reduce waste.

ACC's Annual Report 2019 (page 59) includes details on measurement of ACC's environmental impacts and where we are working to reduce those impacts.

#### Vehicles

We have almost halved our carbon emissions from fleet vehicles compared with last year. Our carbon emissions were 431t in 2017/18 and are now 254t. We have a programme of work to reduce our environmental impacts through:

- replacing our fleet vehicles with smaller and more efficient vehicles
- reducing the number of vehicles, from 219 to 184
- replacing older vehicles with electric or hybrids vehicles.

We have completed a pilot trial of different electric vehicles to ensure that these will meet our business needs. We have an accelerated plan to shift to these vehicles in the next few years.

#### Travel

We have significantly reduced our business travel emissions through the implementation of alternative options to travel and improved processes and commercial arrangements. Less air travel means our volume of car rentals has also reduced. We are also utilising more technology solutions where appropriate. We have recently rolled out Skype for Business to make it easier for our people to communicate and collaborate.

#### Waste

During 2019/20 we will be retendering for our cleaning services. Through this procurement process we plan to improve our recycling where appropriate at all 32 of our sites and improve health and safety within these services.

## Environmental performance

Source	Measure	2018/19		2017/18	
		Quantity	CO <sub>2</sub>	Quantity	CO <sub>2</sub>
Paper	tonnes	88.3	9.1t	107.5	10.5t
Car rental	kms	26,568	4.4t	77,979	12.3t
Air travel (staff)	kms	9,029,779	2,661.9t	9,765,041	2,682.7t
Fleet vehicles	kms	1,789,583	254t	2,435,488	431t
Waste to landfill avoided (paper)	tonnes	159.9	64.0t	152.0	60.8t

The Climate Change Response (Zero Carbon) Amendment Act 2019 ('Zero Carbon Act') will have implications for ACC over the coming decades. As such, work is underway developing a climate change policy and framework for ACC that includes our role as a significant investor in New Zealand. This is expected to be presented to the ACC Board in the first half of 2020. Following approval, this will be made public. Our approach will be open and transparent.

We are confident of our ability to continue to earn strong investment returns for levy payers in the future, reducing the cost New Zealanders pay for accident cover, will also meet our responsibilities under legislation.

In 2019/20 we will also develop an environmental, social and governance corporate policy to further define our approach to our environmental performance and development of our environmental targets. We are taking a deliberate and coordinated approach in all environmental aspects that ensure ACC is an active contributor. We plan to increase the energy efficiency of all our leased buildings. We will develop appropriate targets and introduce these targets in guidelines for our leased buildings.

[Return to contents](#)

Out of scope



**From:** [Donna Engel](#)  
**To:** [Vicky Holmes](#)  
**Subject:** RE: [SEEMAIL IN-CONFIDENCE] - Select Committee - standard questions  
**Date:** Tuesday, 11 February 2020 11:05:53 AM  
**Attachments:** [Hot Topics 2018-19.pdf](#)

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[SEEMAIL]  
 Hi Vicky  
 Yes here they are.  
 Thanks,  
 Donna


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**From:** Vicky Holmes [mailto:[9\(2\)\(a\)](#)]  
**Sent:** Monday, 10 February 2020 5:42 PM  
**To:** Donna Engel  
**Subject:** RE: [SEEMAIL IN-CONFIDENCE] - Select Committee - standard questions  
 Thanks Donna!  
 Any chance I could also get a list of the Hot Topics ACC has prepared for?  
 Cheers  
 Vicky

---

**From:** Donna Engel <[9\(2\)\(a\)](#)>  
**Date:** Monday, 10 Feb 2020, 5:25 PM  
**To:** Vicky Holmes <[9\(2\)\(a\)](#)>  
**Subject:** [SEEMAIL IN-CONFIDENCE] - Select Committee - standard questions

[SEEMAIL]  
 Hi Vicky  
 For your information, please find attached our responses for our hearing at 10.45am-12pm, Wednesday 19 February, at Parliament Buildings.  
**Please note:** We are still waiting for Question 110 (climate change) to be approved. Although I've sent it off to the printers so I'm hoping it'll be approved!  
 Thanks,  
 Donna

 **Donna Engel**, Senior Advisor, Ministerial Servicing, ACC  
 Tel: [9\(2\)\(a\)](#)

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## 27 Climate Change Response (Zero Carbon) Amendment Act 2019

9

Investments: Paul Dyer / Governance: Deborah Roche

**Note: This topic is still being worked on and will be updated closer to the Committee hearing.**

[Back to contents](#)

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## Action underway to address Climate Change

<b>To</b>	Hon Grant Robertson, Minister of Finance Hon Iain Lees-Galloway, Minister for ACC	<b>Priority</b>	Low
<b>From</b>	Dame Paula Rebstock, ACC Board Chair	<b>Reference</b>	GOV-003823
<b>Date</b>	18 February 2020	<b>Security rating</b>	In confidence

### Purpose

- 1 This aide memoire provides you with information on ACC's actions to develop a climate change policy and framework. In particular, the steps ACC is taking as a significant investor to meet both the requirements of the Climate Change Response (Zero Carbon) Amendment Act (2019) and the Government's expectations.

### Background

- 2 ACC takes its responsibilities regarding climate change and sustainability – alongside ethical investment – extremely seriously. As a state sector agency, and consistent with the Minister of Finance's Enduring Letter of Expectations, ACC recognises the leadership role it must play by taking active steps to reduce greenhouse gas emissions, improve energy efficiency and reduce waste.
- 3 ACC's 2019 Annual Report includes details on measurement of ACC's environmental impacts and how these impacts will be reduced.
- 4 The Climate Change Response (Zero Carbon) Amendment Act (2019) ("Zero Carbon Act") will have several implications for ACC over the coming months and years. As such, and following direction from the ACC Board, work is underway to develop a climate change policy and framework for ACC that includes its role as a significant investor in New Zealand. This is expected to be presented to the ACC Board in the first half of 2020.
- 5 Following Board approval, the policy and framework will be made publicly available to ensure ACC's approach is open and transparent.
- 6 Ministers will be updated following Board approval as well as ahead of any public announcements.
- 7 ACC is confident in its ability to continue to earn strong investment returns for levy payers in the future, reducing the cost New Zealanders pay for accident cover, while also meeting our responsibilities under legislation.

### Work underway

- 8 Following passing of the Zero Carbon Act in November 2019, the ACC Board directed ACC management to:
  - Ensure further alignment with other groups focused on climate change;
  - Undertake portfolio analysis and monitoring of greenhouse gas emissions;

- Delivery of a policy that excludes from the investment portfolio, businesses that generate more than 30 percent of their revenue from thermal coal; and
  - Delivery of further advice to the Board, outlining the steps ACC will need to take as an organisation and a significant investor.
- 9 Regarding investments, while our carbon and climate change policy is being developed, it is likely more portfolio reweighting will form part of ACC's response. Since late last year ACC has already divested and excluded companies involved in thermal coal production.
- 10 ACC has excluded firms that earn more than 30 percent of their revenue from thermal coal production. Norges Bank, the world's largest sovereign wealth fund and manager of the Government Pension Fund of Norway, applies the same criteria.
- 11 As a result, ACC has added 54 thermal coal stocks to our exclusion list. The updated exclusion list has been communicated to all portfolio managers (internal & external, equity and bonds) and, as at 1 February 2020, no securities holdings in these stocks remain in the portfolio.
- 12 In developing ACC's climate change and Environmental, Social and Governance (ESG) policies, we are utilising specialist skills from New Zealand and overseas alongside our internal capability.
- 13 Dr Paul Winton, the Principal of Temple Capital Investment Specialists, is assisting ACC with its overall strategy and policy work on climate change. Dr Winton is a leading authority on climate change and how New Zealand can deliver on its international obligations. He has previously worked with Government Ministers, New Zealand corporates, and government agencies – including the New Zealand Superannuation Fund on developing climate change policies.
- 14 Alongside Dr Winton, Russell Investments will provide advice to ACC's Investments Team and Board Investment Committee on future carbon options and how large funds are looking at the issue.
- 15 Regarding our wider work on developing ACC's ESG policy and framework, ACC has engaged Dr Matt Bell – Asia-Pacific leader of ESG from Ernst and Young.
- 16 ACC plans to increase the energy efficiency of all its leased buildings. ACC is developing appropriate targets and introducing these targets in guidelines for its leased buildings. As announced on 13 February 2020, ACC is partnering with Tainui Group Holdings (TGH) to build a new complex to house 650 staff in central Hamilton. The precinct will meet a yearly minimum four-star standard under NABERSNZ – the system for rating the energy efficiency of office buildings. The building will also have multiple charging stations for electric vehicles – including cars, bikes and scooters.
- 17 ACC's 2019 Annual Report notes that in 2019 it nearly halved carbon emissions from fleet vehicles compared with 2018. Carbon emissions were 431t in 2017/18 and 254t in 2018/19.
- 18 ACC has a programme of work to reduce our environmental impacts through:
- replacing our fleet vehicles with smaller and more efficient vehicles;
  - reducing the number of vehicles, from 219 to 184; and
  - replacing older vehicles with electric or hybrids vehicles.
- 19 A pilot trial has been completed of different electric vehicles to ensure that these will meet our business needs. We have an accelerated plan to shift to these vehicles in the next few years.
- 20 ACC has significantly reduced its business travel emissions through the implementation of alternative options to travel and improved processes and commercial arrangements. Less air travel means ACC's volume of car rentals has also reduced. Technology solutions are also being better utilised where appropriate, and ACC has recently rolled out Skype for Business to make it easier for our people to communicate and collaborate.
- 21 ACC will retender for its cleaning services in 2019/20 to improve recycling where appropriate at all 32 of our sites and improve health and safety within these services.



22 The following table provides a comparison of ACC's environmental performance between 2017/18 and 2018/19.

### Environmental performance

Source	Measure	2018/19		2017/18	
		Quantity	CO <sub>2</sub>	Quantity	CO <sub>2</sub>
Paper	tonnes	88.3	9.1t	107.5	10.5t
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Fleet vehicles	kms	1,789,583	254t	2,435,488	431t
Waste to landfill avoided (paper)	tonnes	159.9	64.0t	152.0	60.8t

23 There is a lot of work to do in 2020. ACC is determined to provide leadership on climate change and make considerable progress this year.

### Next steps

24 ACC will ensure your offices are kept informed on a regular basis, including regarding any communication on a "no surprises" basis ahead of any public announcements.

25 ACC will inform the Education and Workforce Committee of ACC's progress to develop a climate change policy at ACC's annual review on 19 February.

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**From:** [Ministerial Servicing](#)  
**To:** [Vicky Holmes](#)  
**Subject:** RE: Aide memoire on climate change CRM:0068057  
**Date:** Wednesday, 19 February 2020 10:23:35 AM  
**Attachments:** [Aide Memoire on climate change to Ministers .docx](#)  
[GOV-003823 - Aide Memoire on climate change to Ministers .pdf](#)

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Hi Vicky - I've updated the text now.

Thanks  
Rosie

----- Original Message -----

**From:** Vicky Holmes;  
**Received:** Tue Feb 18 2020 15:34:09 GMT+1300 (New Zealand Daylight Time)  
**To:** Ministerial Servicing; ;  
**Subject:** RE: Aide memoire on climate change CRM:0068057

Thanks Rosie

I note the table on page 2 compares 2018/19 and 2017/18, but the sentence above notes a comparison between 2018/19 and 2019/20. Just checking the table is correct, but the text is wrong?

Kind regards

Vicky

**Vicky Holmes - Private Secretary (ACC)**

Office of Hon Iain Lees-Galloway

Minister for Workplace Relations and Safety, ACC, and of Immigration

Deputy Leader of the House

4.5R, Executive Wing | Private Bag 18041 | Parliament Buildings | Wellington 6160 | New Zealand |

**From:** Ministerial Servicing [mailto:MinisterialServicing@acc.co.nz]

**Sent:** Tuesday, 18 February 2020 3:14 PM

**To:** Vicky Holmes


**Subject:** Aide memoire on climate change CRM:0068057

Hi Vicky


Attached is the aide memoire on climate change.

Let me know if there are any issues

Thanks  
Rosie


**Rosie Broad,**  
 Senior  
 Advisor,  
 ACC

Tel 9(2)(a)

  
 ACC / Justice  
 Centre - Level  
 7  
 PO Box 242 /  
 Wellington  
 6011 / New  
 Zealand /

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<b>Date</b>	18 February 2020	<b>Security rating</b>	In confidence

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- 3 ACC's 2019 Annual Report includes details on measurement of ACC's environmental impacts and how these impacts will be reduced.
- 4 The Climate Change Response (Zero Carbon) Amendment Act (2019) ("Zero Carbon Act") will have several implications for ACC over the coming months and years. As such, and following direction from the ACC Board, work is underway to develop a climate change policy and framework for ACC that includes its role as a significant investor in New Zealand. This is expected to be presented to the ACC Board in the first half of 2020.
- 5 Following Board approval, the policy and framework will be made publicly available to ensure ACC's approach is open and transparent.
- 6 Ministers will be updated following Board approval as well as ahead of any public announcements.
- 7 ACC is confident in its ability to continue to earn strong investment returns for levy payers in the future, reducing the cost New Zealanders pay for accident cover, while also meeting our responsibilities under legislation.

### Work underway

- 8 Following passing of the Zero Carbon Act in November 2019, the ACC Board directed ACC management to:
  - Ensure further alignment with other groups focused on climate change;
  - Undertake portfolio analysis and monitoring of greenhouse gas emissions;

- Delivery of a policy that excludes from the investment portfolio, businesses that generate more than 30 percent of their revenue from thermal coal; and
  - Delivery of further advice to the Board, outlining the steps ACC will need to take as an organisation and a significant investor.
- 9 Regarding investments, while our carbon and climate change policy is being developed, it is likely more portfolio reweighting will form part of ACC's response. Since late last year ACC has already divested and excluded companies involved in thermal coal production.
- 10 ACC has excluded firms that earn more than 30 percent of their revenue from thermal coal production. Norges Bank, the world's largest sovereign wealth fund and manager of the Government Pension Fund of Norway, applies the same criteria.
- 11 As a result, ACC has added 54 thermal coal stocks to our exclusion list. The updated exclusion list has been communicated to all portfolio managers (internal & external, equity and bonds) and, as at 1 February 2020, no securities holdings in these stocks remain in the portfolio.
- 12 In developing ACC's climate change and Environmental, Social and Governance (ESG) policies, we are utilising specialist skills from New Zealand and overseas alongside our internal capability.
- 13 Dr Paul Winton, the Principal of Temple Capital Investment Specialists, is assisting ACC with its overall strategy and policy work on climate change. Dr Winton is a leading authority on climate change and how New Zealand can deliver on its international obligations. He has previously worked with Government Ministers, New Zealand corporates, and government agencies – including the New Zealand Superannuation Fund on developing climate change policies.
- 14 Alongside Dr Winton, Russell Investments will provide advice to ACC's Investments Team and Board Investment Committee on future carbon options and how large funds are looking at the issue.
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- 16 ACC plans to increase the energy efficiency of all its leased buildings. ACC is developing appropriate targets and introducing these targets in guidelines for its leased buildings. As announced on 13 February 2020, ACC is partnering with Tainui Group Holdings (TGH) to build a new complex to house 650 staff in central Hamilton. The precinct will meet a yearly minimum four-star standard under NABERSNZ – the system for rating the energy efficiency of office buildings. The building will also have multiple charging stations for electric vehicles – including cars, bikes and scooters.
- 17 ACC's 2019 Annual Report notes that in 2019 it nearly halved carbon emissions from fleet vehicles compared with 2018. Carbon emissions were 431t in 2017/18 and 254t in 2018/19.
- 18 ACC has a programme of work to reduce our environmental impacts through:
- replacing our fleet vehicles with smaller and more efficient vehicles;
  - reducing the number of vehicles, from 219 to 184; and
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- 19 A pilot trial has been completed of different electric vehicles to ensure that these will meet our business needs. We have an accelerated plan to shift to these vehicles in the next few years.
- 20 ACC has significantly reduced its business travel emissions through the implementation of alternative options to travel and improved processes and commercial arrangements. Less air travel means ACC's volume of car rentals has also reduced. Technology solutions are also being better utilised where appropriate, and ACC has recently rolled out Skype for Business to make it easier for our people to communicate and collaborate.
- 21 ACC will retender for its cleaning services in 2019/20 to improve recycling where appropriate at all 32 of our sites and improve health and safety within these services.

22 The following table provides a comparison of ACC's environmental performance between 2017/18 and 2018/19.

### Environmental performance

Source	Measure	2018/19		2017/18	
		Quantity	CO <sub>2</sub>	Quantity	CO <sub>2</sub>
Paper	tonnes	88.3	9.1t	107.5	10.5t
Car rental	kms	26,568	4.4t	77,979	12.3t
Air travel (staff)	kms	9,029,779	2,661.9t	9,765,041	2,682.7t
Fleet vehicles	kms	1,789,583	254t	2,435,488	431t
Waste to landfill avoided (paper)	tonnes	159.9	64.0t	152.0	60.8t

23 There is a lot of work to do in 2020. ACC is determined to provide leadership on climate change and make considerable progress this year.

### Next steps

24 ACC will ensure your offices are kept informed on a regular basis, including regarding any communication on a "no surprises" basis ahead of any public announcements.

25 ACC will inform the Education and Workforce Committee of ACC's progress to develop a climate change policy at ACC's annual review on 19 February.

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## Action underway to address Climate Change

<b>To</b>	Hon Grant Robertson, Minister of Finance Hon Iain Lees-Galloway, Minister for ACC	<b>Priority</b>	Low
<b>From</b>	Dame Paula Rebstock, ACC Board Chair	<b>Reference</b>	GOV-003823
<b>Date</b>	18 February 2020	<b>Security rating</b>	In confidence

### Purpose

- 1 This aide memoire provides you with information on ACC's actions to develop a climate change policy and framework. In particular, the steps ACC is taking as a significant investor to meet both the requirements of the Climate Change Response (Zero Carbon) Amendment Act (2019) and the Government's expectations.

### Background

- 2 ACC takes its responsibilities regarding climate change and sustainability – alongside ethical investment – extremely seriously. As a state sector agency, and consistent with the Minister of Finance's Enduring Letter of Expectations, ACC recognises the leadership role it must play by taking active steps to reduce greenhouse gas emissions, improve energy efficiency and reduce waste.
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**From:** [Vicky Holmes](#)  
**To:** [Ministerial Servicing](#)  
**Cc:** [Emma Coats](#); [Deborah Roche](#); [Kate Hellstrom](#); [Sarah Simpson](#); [Hanna Davies](#)  
**Subject:** Actions from meeting with Dame Paula and Scott - due 10 June

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Good morning

Earlier this morning the Minister met with Dame Paula and Scott for their monthly catch up. There were a couple of actions that came out of this meeting:

**FYI - ACC's Climate Change Strategy**

Dame Paula indicated that if ACC's climate change strategy is finalised in the next week, then she will provide the Minister and Minister of Finance with a two page note detailing this. She had hoped to be able to talk publicly about it at the Estimates Hearing on 17 June.

Out of scope

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Out of scope

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I understand from the conversation that these topics were possibly Board papers, and so it shouldn't be too difficult to repurpose them..?

Happy to chat further as needed.

Kind regards

Vicky

**Vicky Holmes - Private Secretary (ACC)**

Office of Hon Iain Lees-Galloway  
Minister for Workplace Relations and Safety, ACC, and of Immigration  
Deputy Leader of the House

4.5R, Executive Wing | Private Bag 18041 | Parliament Buildings | Wellington 6160 | New Zealand |



## ACC's climate change framework

<b>To</b>	Hon Iain Lees-Galloway, Minister for ACC Hon Grant Robertson, Minister of Finance	<b>Priority</b>	High
<b>From</b>	Dame Paula Rebstock, ACC Board Chair	<b>Reference</b>	GOV-005157
<b>Date</b>	17 June 2020	<b>Security rating</b>	In confidence

### Purpose

1. This paper provides a summary of ACC's recently approved climate change framework.
2. It is recommended that you forward this paper to the Minister for Climate Change and the Minister of Health for their awareness.
3. Please find attached ACC's media release.

### A climate change framework for ACC

4. As part of Phase One of ACC's climate change programme, the Board last week approved a climate change framework for ACC. This Aide Memoire outlines the key parts of the framework.
5. ACC will be engaging with key stakeholders over the coming weeks and will then provide further information on the framework.
6. The framework sets out ACC's position on climate change and actions that ACC has been undertaking to date, as well as areas of opportunity that have been identified for the short- to medium-term.
7. The framework will be used to guide the development of ACC climate change related policies. It also sets out principles and requirements to ensure ACC understands the opportunities and risks associated with specific climate change policies. This approach will ensure that ACC's climate change actions are aligned with ACC's commitment to addressing climate change.
8. The framework is intended to be part of a wider ACC environmental, social and governance (ESG) policy, the development of which was signalled in the 2019 Annual Report. The ESG policy, which will be based on and benchmarked against the existing New Zealand and international framework, will recognise the public good role of ACC and its legislation, and will build on ACC's long-standing Ethical Investment Policy.
9. ACC will be informed by Māori perspectives on climate change in its approach, policies, and climate change actions. This includes the procurement of health services to ensure the best health outcomes for Māori, and bringing a Māori perspective to ACC's ESG policy decisions, of which climate change is a key aspect. ACC intends to establish a Māori advisory group to formalise engagement with Māori on ESG matters, including climate change. The terms of reference, including charter, purpose, accountability expectations and reporting lines for this group are still to be confirmed.
10. ACC will consider exploring the purchasing of offsets to balance out residual emissions from the corporate side of the business from 2021, subject to Board approval. Further work on this will be done in Phase Two of ACC's climate change programme, and the Board will be considering more detail on emissions offsetting in quarter four of 2020.

## ACC's climate change ambition statement

11. The ACC Board has indicated it wishes to take a leadership role to support the Government's commitment to limit global temperature increases and reduce emissions. In order to achieve this, the following aim statement has been adopted:

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

12. To achieve this aim, ACC will adopt a dual pathway approach:

- Corporate - ACC will take a strong leadership role by reducing corporate emissions faster than required under the Zero Carbon Amendment Act. This will involve aiming for a 60 percent reduction in Scope 1, 2 and 3 emissions<sup>1</sup> by 2025 from 2019 levels. Offsetting residual corporate emissions from 2021 will be explored, subject to Board endorsement.
- Investments - ACC will be aligned with the Climate Change Response (Zero Carbon) Amendment Act. This means reducing the carbon intensity of the investment's global equity portfolio by at least 50 percent by 2030 compared to 2019 levels. This position will remain under active review as ACC moves towards net zero, and it may choose to alter the ambition of the approach as it gathers more evidence about the opportunities and costs. In particular, the position may be adjusted to at least be consistent with the five-year emissions budgets that will be set by the Climate Change Commission. ACC does not rule out taking a more ambitious path should progress exceed the targeted reductions.

13. The two most significant levers for ACC to achieve its aim is via its corporate functions and the investment portfolio, which is its largest lever.

14. On the Corporate side, given the majority of corporate emissions are from staff travel, it is anticipated that a 60 percent reduction in Scope 1, 2 and 3 emissions by 2025 could require ACC to reduce staff travel by at least 60 percent by 2025 in comparison to 2019 levels.

15. On the Investments side, ACC has fewer controls to impact emissions related to its equity investments. This is the main reason for ACC's dual pathway approach in its climate change framework. Equity investments are largely determined by the behaviour of investee companies, most of whom are located overseas, and over whom ACC has no direct control. The carbon intensity of the portfolio has been falling steadily over the past decade, and continuation of this trend is critical to reducing emissions to net zero. However, it will probably not be sufficient on its own. Stronger action will be needed, in the form of consciously looking at the mix of investments to achieve this end goal.

16. ACC will continue to use its influence as a shareholder through proactive engagement on climate change and adopt a range of measures to reduce carbon exposure in its portfolio. Further detail on this is provided in the 'Investment fund considerations' section.

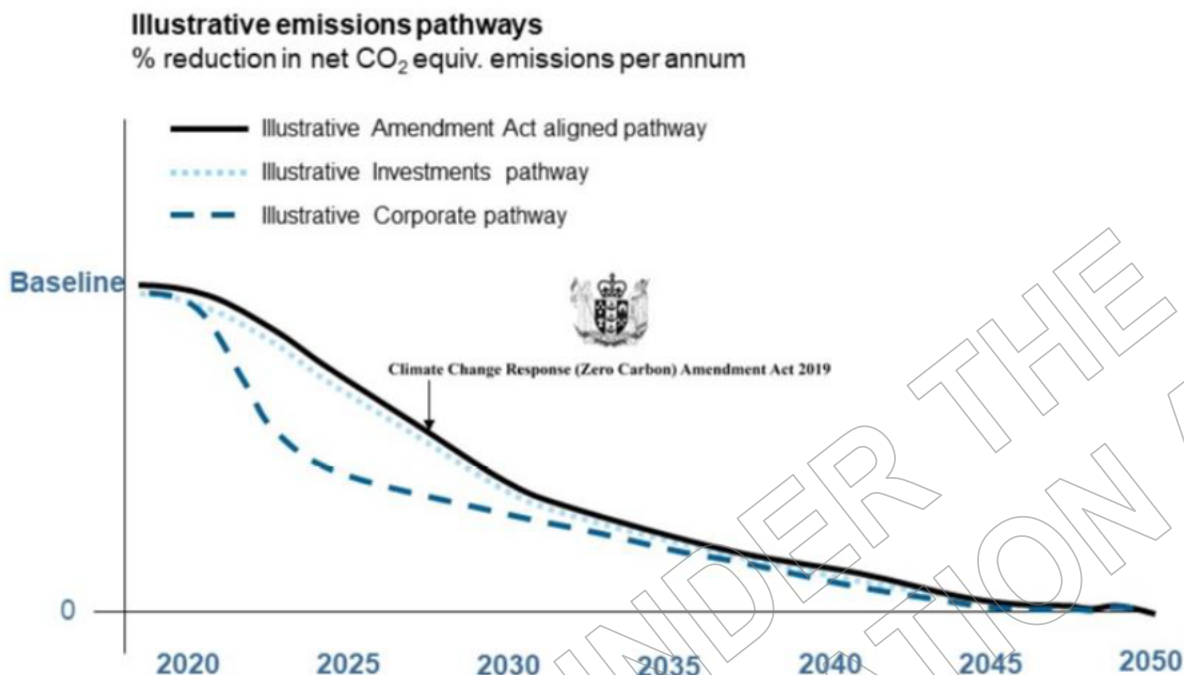
17. Assuming the 2030 objective for investments is achieved, the carbon intensity of the equity portfolio will have declined by around two-thirds over the 20 years between 2010 to 2030.

18. Figure 1 shows an illustration of the dual pathway for reducing emissions on the corporate and investment side. Both pathways will ensure that ACC plays its part in supporting efforts to limit average temperature rise to less than 1.5°C above pre-industrial levels.

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<sup>1</sup> Scopes have yet to be formally defined

Figure 1: Illustrative emissions reductions pathways for Corporate and Investments



19. Investment related emissions are significantly greater than Corporate related emissions. Based on 2019 Annual Report data the largest sources of Corporate emissions (fleet and air travel) account for approximately 3,000 tonnes per annum. Conversely, analysis undertaken in March 2020 suggests emissions associated with the ownership of companies in the equity portfolio are approximately 1.2 million tonnes per annum.
20. This dual pathway approach can be re-assessed over time as more evidence about the effectiveness of different levers, costs and trade-offs becomes available. This includes consistency with the five-year emissions budgets that will be set by the Climate Change Commission. The pathways will be costed, as they relate to specific policies, as part of Phase Two of the Climate Change programme.

## Background and Context

21. ACC helps prevent injuries and ensure New Zealanders and visitors can return to everyday life following an accident. ACC's responsibilities are enshrined in legislation.
22. The cost of treatment, health, rehabilitation, and support services, loss of income or financial help, comes from levies and taxation. These do not cover the full costs of treatment. ACC also aims to make strong returns from its investment function to ensure the scheme is fair and financially sustainable for future generations and support intergenerational equity. Otherwise accident cover would cost significantly more for individual levy payers. Any reduction in investment returns must, ultimately, be compensated by levies being higher in the future.
23. The money in the investment fund is required to pay for the cost of injuries already occurred. The future cost of injuries, ACC's Outstanding Claims Liability (OCL) was \$63.3b on 28 May 2020 and ACC's investment reserves were \$46.1b on that date.
24. ACC has built ESG factors such as climate change and the shift away from carbon fuels into its investment process. This aligns with ACC's objective of maintaining the best possible balance between return and risk. Its investment managers are expected to take account of the challenges, risks, and opportunities that climate change may have on each individual investment and the reputation of ACC. ACC supports the transition to a lower-carbon economy and supports companies heading in that direction.

25. In developing a climate change framework, ACC intends to take account of two specific risks. These are the impacts of climate change itself, and the policy risk of being exposed to businesses whose operating models need to change to adapt to climate change – whether on the investment or corporate side of its business.
26. Addressing these trade-offs between ethical considerations and financial risk is not new to ACC. ACC is permitted to factor non-financial factors into decision-making where it does not risk significant financial detriment to the reserve portfolios. The ACC Board has historically included non-financial factors in investment decisions through its Ethical Investment Policy, for example, the 2006 decision to not invest in tobacco companies, accepting this may lead to lower returns over time.

### **Good progress is already being made**

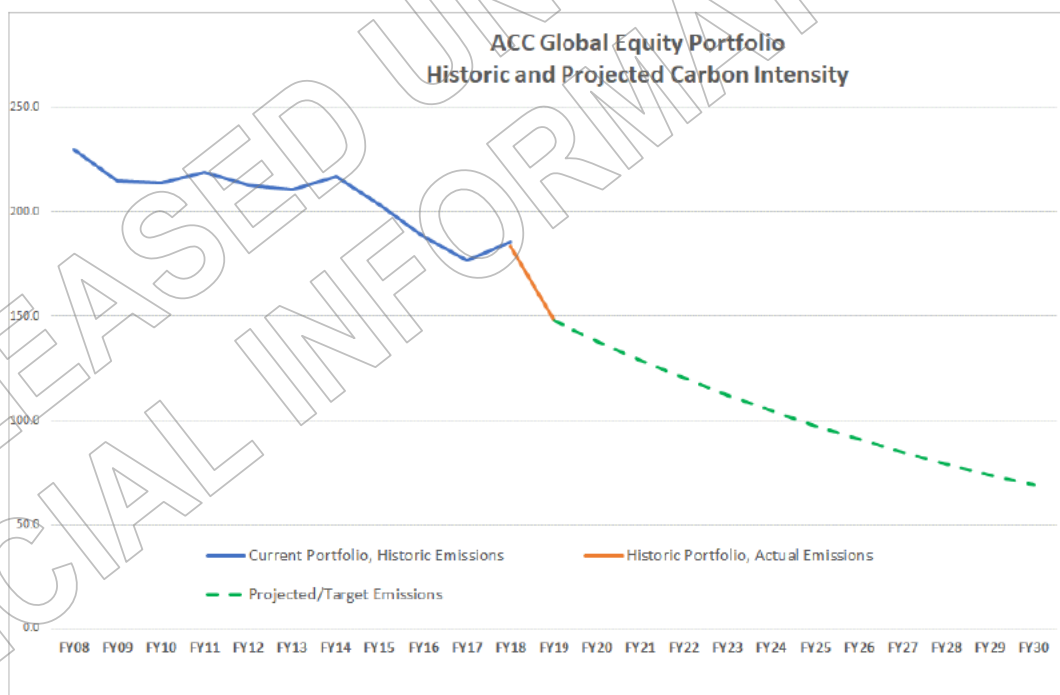
27. As part of ACC's broader ESG obligations, and central to what ACC stands for as an organisation, the investment team takes the health and safety of the companies that are invested in and partnered with extremely seriously. In 2020 ACC has set up a specific impact fund of around \$50 million within its direct investment team that will invest in organisations that are implementing solutions that will improve health and safety in the New Zealand workforce. It is an innovative step and one in which ACC expects to earn a commercial return.
28. ACC has already begun decarbonising and reweighting the investment portfolio. Carbon intensity in ACC's global equities portfolio has fallen 19 percent over the past 10 years. This primarily reflects developments within companies in whom ACC has invested. Most of the growth in corporate activity is now in low-carbon activities (such as technology and other services). There is comparatively little growth in "smokestack" industries. The trend appears to be that overall carbon intensity is trending down by about two percent per year. Continuation of this trend is pivotal to ACC meeting its emission objectives.
29. ACC has also added companies who generated at least 30 percent of their revenue from thermal coal production to the list of excluded investments. A total of 54 companies were added to the exclusion list as a result.
30. The role of Responsible Investment Manager has been created within the Investment Team and the position has recently been filled. This is a senior position. Their role will be to advise on carbon strategy and progress, as well as other aspects of ESG. Our view is that this will be an ongoing requirement within the investment operation and warranted permanent resource.
31. On the Corporate side, during 2019 ACC nearly halved its carbon emissions from fleet vehicles compared with 2018 and has significantly reduced its business travel emissions through reducing activity, improved processes and commercial arrangements, and implementing technology solutions such as Skype for Business and Microsoft Teams. Since March 2020, ACC has been providing subsidised e-bikes for ACC staff.

### **Investment fund considerations**

32. In managing its investments ACC must meet the dual objectives of maximising returns while investing in a way that is ethically acceptable to New Zealanders. The passing of the Climate Change Response (Zero Carbon) Amendment Act last year, with bi-partisan support, is a clear signal about how the ethical concerns of New Zealanders are evolving. ACC's ethical policy and investment portfolio will naturally evolve with this.
33. ACC has a legal requirement as a Crown Financial Institution to invest as a trustee, giving it a fiduciary responsibility to maximise return without undue risk on its investment funds. ACC has a responsibility to do so in an ethical and lawful way and meet the expectations of stakeholders. ACC's aim is to achieve these twin objectives. This is common across all Crown Financial Institutions (CFIs). 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 United Nations Principles for Responsible Investment.

34. ACC has already begun decarbonising and reweighting the investment portfolio. This includes adding companies who generated at least 30 percent of their revenue from thermal coal production to the list of excluded investments.<sup>2</sup> A total of 54 companies were added to the exclusion list as a result.
35. Portfolio reweighting has also been occurring with investments relating to renewable electricity generation. The fund now has more than \$1b invested primarily as a result of adding to existing holdings in New Zealand where there are a large proportion of hydro, geothermal and wind generators.
36. As previously noted, since 2009 the Investments function has recorded about a 19 percent reduction in carbon intensity. The graph in Figure 2 below looks to provide a measure of the carbon footprint of ACC's global equity portfolio over time. The measure shown is Portfolio Carbon Intensity (PCI). This measure includes both Scope 1 (direct) and Scope 2 (indirect emissions from the consumption of purchased electricity) emissions. PCI is measured as tons of CO<sub>2</sub>e per \$US million of sales. A key benefit of this measure is that it is not distorted by ACC's own portfolio cashflows. For example, cash outflows (as ACC is currently experiencing) could appear to show a reduction in emissions, even if portfolio weights had not changed.
37. The Task Force on Climate-related Financial Disclosures (TCFD) notes that all measures of emissions have potential failings but highlights the benefits of PCI as a measure. Accordingly, it is used here as an indicator of progress on reducing ACC's carbon footprint<sup>3</sup>

Figure 2



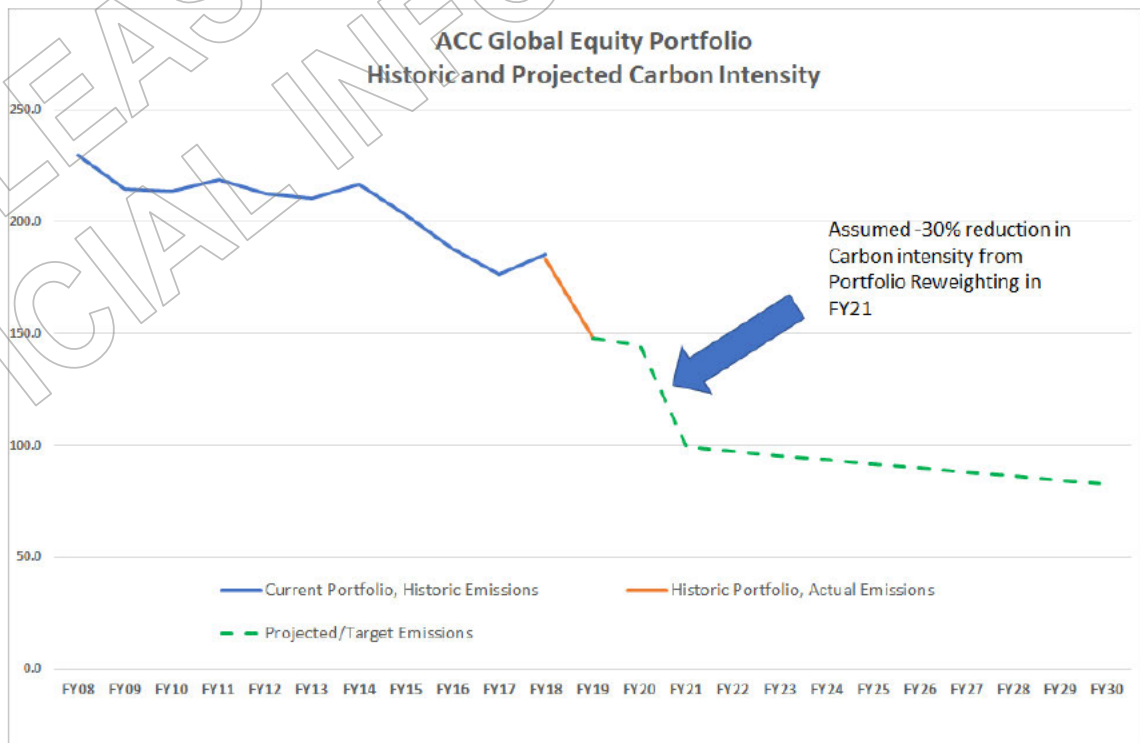
38. In terms of the emissions trend, the 20-year time period is broken into three periods.
  - a. The first, 2008 to 2018, shows the historic emissions from companies held in the portfolio as at the most recent year for which full emissions data is available (i.e. as at June 2019). This shows a steady downward trend, with emissions falling 19 percent over the past 10 years. This reflects reductions in the carbon intensity from within this portfolio of companies over this period.

<sup>2</sup> Norges Bank, the world's largest sovereign wealth fund and manager of the Government Pension Fund on Norway, applies a similar criterion.

<sup>3</sup> PCI is most commonly used to obtain a snapshot of a portfolio's carbon position at a point in time. When calculated over time revenues will tend to be boosted by inflation, which would give a misleadingly positive picture. For this reason, ACC has deflated revenues by the US PPI (revenues are expressed in USD). The two percent past downward trend observed in carbon intensity is real, i.e. after the inflation contribution has been removed.

- b. The second period (orange line) shows carbon intensity for two recent years, as at June 2018 and June 2019 using the actual portfolio holdings as at those dates. This shows a more pronounced downward trend, which highlights the portfolio changes made by ACC's equity managers also contributed to lowering carbon intensity over this period.
  - c. The third period (dotted orange line) represents the rate of reduction in carbon intensity that would be needed to attain the objective of an eventual 50 percent reduction over the next decade.
39. This objective of a 50 percent reduction in carbon intensity by 2030 is a challenging target. As noted, the trend reduction of around two percent per annum from within the portfolio will help but is not sufficient in itself. It will also be necessary to make significant changes to the portfolio mix. ACC expects to achieve this by re-orientating its investments towards relatively lower carbon emission companies.
40. The main lever ACC has to achieve this is via "tilting" its holdings away from high-carbon stocks towards lower carbon equivalents. There are a multitude of ways to achieve this. Most involve adopting a portfolio benchmark that consciously down-weights the carbon content in the portfolio. This is a well-trodden path for investors. ACC is currently examining which option would best suit ACC. One practical consequence is that the footprint would get an immediate downwards shift on making this change (repeated for any subsequent changes). Thereafter progress will be more driven by changes within investee companies themselves.
41. In practice, ACC expects the actual profile will be roughly like that shown in Figure 3 below. This features a large near-term reduction as ACC re-orientates its portfolio, followed by a reversion to the two percent trend reduction thereafter. The initial reduction will need to be large, in the order of minus 30 percent. For planning purposes, ACC assumes that this will happen over the next year. In principle this is likely achievable given the way in which emissions are heavily skewed to a small portion of stocks. Even so, this is a challenging objective.

Figure 3



42. This goal ACC is currently proposing, if achieved, would see carbon intensity of ACC's global equity portfolio in 2030 being 67 percent below that of 20 years earlier. The long-run objective may be adjusted as future events dictate. For example, the carbon emission budgets suggested for New Zealand by the Climate Change Commission will be influential in deciding future targets.



43. Consideration will also need to be given to how carbon equivalents, such as methane, are treated within the portfolio. At present these are relatively small. They might need to be included should the future investment mix change.
44. There are limits to how far ACC can unilaterally reduce its footprint while still retaining a diversified portfolio. To a large extent, emissions will depend on the behaviour of investee companies. This will become increasingly apparent over time, as the early benefits of reducing holdings in high-emissions stocks become harder to repeat.

## Corporate considerations

45. ACC's ambition is to fully integrate climate considerations across the business. There are significant opportunities to reduce corporate emissions. These include:
  - a. Transitioning the vehicle fleet to electric vehicles. This is an area where ACC can make progress quickly to reduce carbon emissions and also take a leadership role in New Zealand by moving towards renewable sources of energy for its fleet. Our aim is to make our entire fleet electric in the next couple of years, meeting the Prime Minister's target for government agencies.
  - b. Reducing business travel emissions by implementing alternative options to travel. Air travel is ACC's greatest source of corporate emissions (2,662 tonnes of CO<sub>2</sub> compared to 254 tonnes of CO<sub>2</sub> for the vehicle fleet). ACC will benchmark its performance with respect to air travel emissions against comparator companies and businesses and explore ways to accelerate the reduction of travel for its staff and clients and will then report back.
  - c. Supporting the procurement of low-emissions goods and services. Given ACC's role in the health system, there may be significant opportunities to lead on climate change through ACC's procurement processes. Further information on this is provided below.
46. These three steps will take some time to implement. Therefore, another proposed step is to explore offsetting residual corporate emissions from 2021. ACC would be reducing emissions at the same time. Initial calculations suggest this could cost several hundred thousand dollars. The cost will depend on how ACC offsets. ACC plans to carefully consider financial implications of its decisions to ensure value for levy and tax-payer money.
47. Carbon offset schemes allow individuals and companies to invest in environmental projects which are designed to reduce future emissions to balance out their own carbon footprints. Some also offer additional social benefits. Offsets can be used to offset an entire carbon footprint, such as the approach used by The Warehouse, through to neutralising the impact of a specific activity, such as Air New Zealand's offer to customers to pay to offset their flight(s) thus making their flight(s) "carbon neutral".
48. If offsetting is to be used, it is critical that the scheme(s) funded by ACC achieve the promised carbon savings. This relates to the effectiveness of the project at absorbing carbon dioxide and/or avoiding future emissions, as well as ensuring these carbon savings are additional to the status quo. There are a range of options that can be explored, from offsetting ACC's current emissions through to offering providers and/or customers the ability to offset the carbon impact - or more - of their ACC funded service.

## Health Sector Procurement

49. There will be opportunities for ACC to address climate change through its procurement processes. For health services in particular, this would also reflect ACC's commitment to responding to the potential health impacts of climate change.

## Targets and financial implications

50. ACC's leadership ambition requires ambitious targets for reducing carbon emissions. Some of these targets were outlined earlier. That said, ACC also needs to consider in detail the path to achieving these targets, the potential consequences for staff and the business, and the potential costs and impact on ACC's financial sustainability.
51. Targets and costs will be included in individual policies as they are developed. ACC's main approach for achieving targets will involve a reduction in emissions, for example by electrifying the vehicle fleet or further decarbonising the investment portfolio. There will potentially be a significant opportunity cost in addition to the direct cost of implementing each policy. The policies and the overall pathways will be costed as part of Phase 2 of ACC's climate change programme.
52. ACC intends to explore offsetting residual corporate emissions from 2021. This may be relatively easy to implement for Corporate, whilst recognising the enduring cost and carbon price risk. Initial calculations suggest this will likely cost several hundred thousand dollars.
53. Targets may need to be adapted over time and close consideration will need to be made to how changes compare against other companies and government departments, as well as the All-of-Government response and targets set through the five-year emissions budgets currently being drafted by the Climate Change Commission, as well as responding to any new related policies, regulations, TCFD reporting requirements, and legislation.

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## ACC announces new climate change policy framework

The Accident Compensation Corporation today announced targets in a new climate change policy framework that sets out ACC's position on climate change and how this is going to be materialised.

Under the framework, approved by the ACC Board last week, ACC will implement policies that cut corporate emissions and decarbonise the investment equities portfolio in line with the intent of the Climate Change Response (Zero Carbon) Amendment Act passed last year.

"As stewards of the ACC scheme, and by placing a focus on environmental sustainability and reducing carbon emissions, ACC is demonstrating its obligation to the wellbeing of future generations, ACC Board Chair Dame Paula Rebstock says.

"The framework outlines core principles that will guide ACC in the years ahead, including the \$46 billion investment fund that is used to pay for the cost of injuries that have already occurred.

"It will be part of our wider environmental, social and governance approach that recognises the public good role at the heart of the corporation and its legislation. It also builds on ACC's long-standing ethical investment policy.

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

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

- **Corporate:** ACC is aiming for a 60 percent reduction in Scope 1, 2 and 3 emissions by 2025 from 2019 levels. Offsetting residual corporate emissions from 2021 will be explored, subject to Board endorsement.
- **Investments:** ACC will be aligned with the Climate Change Response (Zero Carbon) Amendment Act. This means reducing the carbon intensity of the investment team's global equity portfolio by at least 50 percent by 2030 compared to 2019 levels.

This position will remain under active review as ACC moves towards net zero, and it may choose to alter the ambition of the approach as it gathers more evidence about the costs and opportunities. In particular, the position may be adjusted to at least be consistent with the five-year emissions budgets that will be set by the Climate Change Commission. ACC does not rule out taking a more ambitious path should progress exceed the targeted reductions.

"Achieving these targets will require hard work and some significant changes over the next decade," Dame Paula says.

"ACC will be engaging with key stakeholders before we provide further information on the framework. This will be made public in coming weeks.

"In managing its investments, ACC must balance the objectives of maximising returns to pay for the future costs of injuries; while investing in a way that is ethically acceptable to New Zealanders.

"The passing of the Zero Carbon Act last year, with bi-partisan support, reflects the ethical concerns of New Zealanders are evolving. This framework – and the actions associated with it – acknowledge that change."

ACC Chief Executive Scott Pickering says the adoption of the framework continues the efforts the corporation has been making in addressing the risks associated with climate change.

“ACC is not starting from scratch. We have already been decarbonising and reweighting the investment portfolio and made steady progress in reducing corporate emissions,” Mr Pickering says.

Carbon intensity in ACC’s global equities portfolio has fallen 19 percent over the past 10 years. This reflects developments within companies ACC has invested in. Most of the investment growth is now in low-carbon activities (such as technology and other services).

The trend appears to be that overall carbon intensity is trending down by about two percent per year. Continuation of this trend is pivotal to ACC meeting its emission objectives. ACC will use its influence as a shareholder through proactive engagement on climate change.

In December 2019, ACC added companies who generate at least 30 percent of their revenue from thermal coal production to the list of excluded investments. A total of 54 companies were added to the exclusion list as a result.

On the Corporate side, in 2019 ACC nearly halved its carbon emissions from fleet vehicles compared with 2018 and significantly reduced its business travel emissions through reducing activity, improved processes and commercial arrangements.

Dame Paula says specific climate change policies that ACC will develop that fit under the framework will need to be flexible to new and emerging evidence, shifts in expectations, and future changes in government policy settings. These policies will be developed in coming months.

“Our aim is to continue to earn strong investment returns for levy payers in the future and reduce the cost New Zealanders pay for accident cover, while also meeting our responsibilities under the Zero Carbon Act.”

ENDS

For ACC media inquiries: 021 998165 or [media@acc.co.nz](mailto:media@acc.co.nz)

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**From:** [Vicky Holmes](#)  
**To:** [Simon Beattie](#); [Ministerial Servicing](#)  
**Cc:** [Emma Coats](#); [Deborah Roche](#)  
**Subject:** RE: REQUEST: Information on Climate Change Policy

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Hi

Just confirming that close of business is fine.

Cheers

Vicky

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**From:** Vicky Holmes <9(2)(a)>  
**Date:** Wednesday, 17 Jun 2020, 11:17 AM  
**To:** Simon Beattie <9(2)(a)>, Ministerial Servicing  
 <[xxxx](#)>  
**Cc:** Emma Coats <9(2)(a)>, Deborah Roche <9(2)(a)>  
**Subject:** REQUEST: Information on Climate Change Policy

Hi team

The Office has received a request from the Minister for Climate Change for what was announced by Dame Paula at the Committee hearing today.

My office understands that ACC is working on an aide memoire for Minister Lees-Galloway, and the Minister of Finance on this. However, the thinking is that it would be prudent to provide the Minister for Climate Change with the information that is now in the public arena. They were specifically interested in the plan to reduce emissions by 60%.

I've been asked to get this information today. I understand the Climate Change Minister has a question on a related topic – so I'm just confirming whether they are expecting the information prior to that.

Kind regards

Vicky

**Vicky Holmes - Private Secretary (ACC)**

Office of Hon Iain Lees-Galloway  
 Minister for Workplace Relations and Safety, ACC, and of Immigration  
 Deputy Leader of the House

4.5R, Executive Wing | Private Bag 18041 | Parliament Buildings | Wellington 6160 | New Zealand |