

**Minutes of a meeting of the Board of the Accident Compensation Corporation held via videoconference at the ACC Boardroom, Level 27, HSBC Tower, 188 Quay Street, Auckland, on Thursday, 25 March 2021 at 9.00 am.**

**Present**

Dame Paula Rebstock	Chair
Mr James Miller	Deputy Chair
Ms Anita Mazzoleni	Member
Dr Tracey Batten	Member
Mr John Brabazon	Member
Dr Helen Nott	Member
Ms Bella Takiari-Brame	Member
Mr Pat Bowler	Member

**In attendance**

Mr Scott Pickering	Chief Executive	
Mr Mike Tully	Chief Operating Officer	
Ms Sharon Champness	Chief Talent Officer	
Mr John Healy	Chief Financial Officer	
Ms Vanessa Oakley	Chief General Counsel	
Mr Peter Fletcher	Chief Technology & Transformation Officer	
Ms Emma Powell	Chief Customer Officer	
Mr Herwig Raubal	Chief Risk and Actuarial Officer	
Ms Gabrielle O'Connor	Head of Client Recovery	Item 4.1
9(2)(a)	Enterprise Advisor, Operations	Item 4.1
9(2)(a)	Product Manager, Operations	Item 4.1
9(2)(a)	Head of Communications and Engagement	Item 5.1
9(2)(a)	ACC Brand and Identity Manager	Item 5.1
9(2)(a)	Head of Injury Prevention	Item 5.1
9(2)(a)	Manager Social Marketing	Item 5.1
9(2)(a)	Head of Health, Safety and Wellbeing	Item 6.1
9(2)(a)	Manager, Investments Legal Services	Item 6.2
9(2)(a)	Head of Strategy Policy and Research	Item 6.2
9(2)(a)	Acting Manager Corporate Secretariat	
9(2)(a)	Associate Company Secretary	

# 1 Procedural Business

## 1.1 Apologies

There were no apologies received for the meeting.

## 1.2 Register of Conflicts of Interest

In relation to the Legal Update, Ms Takiari-Brame noted that she knew Mr Stafford.

**CONFIRMED:** The Board reviewed the Register of Members' Conflicts of Interest Arising and confirmed that it was not aware of any other matters (including matters reported to, and decisions made by, the Board at this Meeting) which would require disclosure.

# 2 Committee Updates

## 2.1 Investments Committee

Mr Miller provided an update on the Investment Committee:

- The fund continued to perform well and was 120bps up year-to-date.
- The Committee approved modest, interim changes to the Strategic Asset Allocation reflecting a reduction in equity and move to long bonds.
- The Committee had an extensive discussion on the appointment of Aotea Asset Management as a new manager in New Zealand under the Private Equity team to work in the non-corporate debt market. This was a new area for ACC and the Committee recommended material changes to Management.
- A range of governance documentation was discussed by the Committee: Terms of Reference, delegations, Investment Statement and the Risk Management Policy. The changes generally modernised and simplified the documents and reflected the Governance Review. Because a high level of attention to detail was needed, the Committee formed a sub-committee to go through that detail and recommend the final versions to the Committee and the Board.
- Defence companies Raytheon and BAE Systems would not be added to the Direct Investment Exclusions list but would remain constantly under review. Investments aligned with New Zealand law, and the position was quite complex at the detailed level. The Committee asked Management to come back with a more graduated scale of exclusions for companies which might be in the grey area.

The Board Chair noted that the Power of Attorney item on the Board agenda had been deferred in line with the Board Investment Committee discussions on governance documentation.

## 2.2 Health Sector Strategy Advisory Committee

Dr Batten provided an update on the HSS Advisory Committee:

- Dr Robson was now permanent in his role and took the Committee through the new Operations structure. The new structure allowed the different groups within the division to work closely together to implement the HSS.
- Messrs 9(2)(a) and 9(2)(a) presented on the HSS Targeted Assessment from EY, noting that the implementation of the Health and Disability System Review was likely to disrupt the sector in the coming months.
- The draft HSS Roadmap was presented. This was a key recommendation out of the EY assessment. The Roadmap would come back to the April Board for consideration.
- The external review of ECP showed positive feedback, however there was no control group to show comparisons for clients not on the ECP programme. The financial modelling was starting to show benefits and the reinjury rates were encouraging.
- 9(2)(a) (Māori Health Manager) provided a positive update to the Committee on Māori Health Services work. ACC was now starting to get data for Māori and other populations about access to services compared to other demographic groups.
- Mr Fletcher's team provided an update on the technology platform. The team was doing a good job of engaging with the sector to provide a shared view of care plans and performance.
- The Committee would be completing an evaluation out of cycle, with results to be presented at the next meeting.

The Board thanked Dr Batten for her work in chairing this Committee.

## 3 Board Only Session

### 3.1 Chief Executive's Report

The Chief Executive covered the following in his report:

- Executive team update
- Rehabilitation performance focus - discussion
- Health & Disability Review - update of engagement
- Public awareness campaign and brand update - discussion
- Corporation's response to recent earthquake & tsunami warning.

### 3.2 Carbon Emissions Target Review

The Board continued the discussion from the Board Investment Committee the previous day, and asked Mr Dyer if Management was comfortable to move to a 60% reduction in the carbon intensity of the investment's global equity portfolio by 2025 and a 65% reduction by 2030.

The Board asked Mr Dyer to work with NZ Super on an agreed approach to fossil fuel exclusions.

The Board discussed future investment approaches and exclusions and the difficulty with sector classification as some companies might swap from sector to sector depending on their primary or most profitable business at the time. It was important for ACC to avoid investment policies that might result in absurd outcomes – for example, excluding investment in Air New Zealand and then travelling by plane.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the background to, and progress made to date against, ACC's existing carbon emissions targets.
- (b) **Approve** the following change to ACC's Investments carbon emissions target: Amend the description of the in-scope Investments from "global equity portfolio" to "listed equity portfolio".
- (c) **Approve** the following change to ACC's Investments carbon emissions target subject to e): Reducing the carbon intensity of the Investment's listed equity portfolio by at least 60% by 2025 and 65% by 2030 compared to 2019 levels.
- (d) **Approve** no change to ACC's Corporate carbon emissions target subject to e).
- (e) **Note** that any change to carbon emissions targets and any decisions on offsetting are contingent on the outcome of the current discussions between the CFIs and Government about the public sector net zero by 2025 targets and about definitions of emissions and offsetting.
- (f) **Note** that the Corporate emissions target will be reviewed again in early 2022 following completion of the 2020/21 Toitū audit, and an expected return to a new 'normal' level of business activity as part of the COVID recovery
- (g) **Note** that the Investments team will work with NZ Super on an agreed definition of fossil fuels to be used for future discussions on carbon emissions.

## 4 Operational Reporting

### 4.1 (a)(i) Performance Update

The Board raised the following items from the Performance Update during discussion of the Short-Term Rehabilitation Focus paper:

- The changes to the acupuncture framework, reducing the allowed number from 16 sessions in 52 weeks to 12 sessions in 12 weeks. Mr Tully explained that this change could only be made as a result of the evidence gained through the clinical efficacy guidelines. A similar approach would be undertaken for other services.
- Social rehabilitation was 28.8% higher than projected. Mr Tully responded that there had been a focus on the various increases within the budget: home support, equipment and training for independence, which was 16.6% over budget due to volume increases. Tactical changes would be addressed through the Health Agile Release Train and the planning process for this gets underway the week following the Board meeting.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the Claims Cost performance.
- (b) **Note** the Operational and Financial Performance.

### 4.1 (a)(ii) Short-Term Rehabilitation Focus

Mr Tully introduced the performance update focussed on the 70-day and 273-day rehabilitation performance and initiatives. The paper provided an overview of the 52-week rolling average for both rehabilitation measures, and Mr Tully explained how the measures were calculated, noting that the rolling average still reflected the negative impact the COVID-19 lockdown had on performance. Based on current performance, Management was confident that both the 70-day and 273-day targets would be met.

Performance from 1 July 2020 had not been as strong as anticipated due to continued small COVID-19 lockdowns and the delayed rollout of Next Generation Case Management (NGCM), resulting in frontline teams spending longer in the transition period.

The Board expressed its full support for Mr Tully and his team in achieving these targets, and asked Mr Tully to confirm that there were no resource constraints. Mr Tully responded that there was some additional resource starting with the team in the next week, as well as personnel to manage outstanding tasks which would support meeting the performance targets ahead of the end of this financial year and into the next.

The Board queried the plan to get to a 69% target by 30 June 2024, as this was a big step. Mr Tully explained that the paper coming to the Board in April would show that plan and trajectory.

The Board asked what impact another COVID lockdown would have on performance targets. A prolonged lockdown in Auckland or a shorter New Zealand-wide lockdown would affect the rolling results for the next 12 months, but smaller lockdowns would not result in a material change. It was important for Management to be clear when signalling confidence in reaching performance targets that this could still be impacted by a lockdown.

The Chief Executive explained that this was a broader challenge than just COVID – ACC had not had a chance since NGCM was fully rolled out to get to a new normal, and so assumptions would need to be made about what 'good' looked like. For example, in previous years the target was 80% and now 69% in 2024 was an ambitious goal. Ms O'Connor continued that while the business was not standing still, this was an ongoing question as the model was embedded. It would also be useful for the Board to get an idea of whether, since COVID, there had been any behavioural shift in New Zealand that might change the new normal. ACC was constantly improving on receiving and acting upon the voice of the customer, which gave confidence that Management would pick up on any of these macro trends.

The Board discussed the impact of mental health on ACC claims, noting that this was another area that had been impacted and accelerated by COVID which could play out over a long period.

The Board asked Management to think about and present to the next meeting on how to ensure the rehabilitation performance continued to improve if the spotlight focus shifted.

**RESOLVED:** The ACC Board resolved to **note** the discussion on the Short-Term Rehabilitation Focus.

#### **4.1 (b) Quarterly Enterprise Risk and Compliance Report**

Mr Raubal introduced the Quarterly Report, noting that the overall risk profile had reduced from high to medium, and there were six high risks across the business. The discussion of the report focussed on the following:

- Claims cost management – a paper was coming to the Board in April following the November 2020 paper on drivers of claims.
- Māori access and outcomes risk – it was difficult to define outcomes and the baseline in this area, and there was an opportunity for Whāia Te Tika activities to lead and show how that could be done well.

The Board queried how this was reflected in the budget. Ms Powell explained the costs were not all in the same place – the Māori and Cultural Capability team had a budget for personnel

and projects, but there was also significant funding under the HSS, codesign work for kaupapa Māori and the injury prevention investment fund. Data was a big part of being able to measure progress in this area and, while the trajectory was good, focus was still required.

- Implementation of the Health and Disability System Review would require engagement from ACC. The vaccine rollout would also have an impact on the health system and treatment injury implications for ACC were being worked through.

The Board Chair noted the discussion at the Investment Committee the previous day on the risk responsibilities for both the Board and the Committee. The Board could not delegate its risk responsibilities, but the Investment Committee was across the detail of investment related risks. The Risk and Assurance team had had a session with the Investments team to ensure the right assurance settings for investments following the governance review. The Board set the risk appetite, but there must be a mechanism for the Investment Committee to notify the Board if it were operating outside that appetite. Mr Raubal confirmed that this had recently been clarified in the revised Risk Assurance and Audit Committee Terms of Reference.

The Board noted that Mr Raubal was working to bring a more risk appetite lens to risk reporting. The target risks were annually updated.

**RESOLVED:** The ACC Board resolved to **note** the Quarterly Enterprise Risk and Compliance Report.

## 5 Board Papers

### 5.1 (a) Public Awareness Campaign and Brand Update

Ms Powell introduced the paper, explaining that the focus of the awareness campaign had been to build up a currency of trust for ACC. <sup>9(2)(a)</sup> took the Board through the awareness campaign activity over the last year centred around ACC improving lives every day. Despite the volatility during 2020, the strategy presented to the Board in October 2019 still held strong. There were eight awareness campaigns through 2020, including a 'bubble life' campaign during COVID. The metrics had scored well: people looked at the content 14m times and clicked through to ACC's Newsroom 1.1m times. Management was particularly heartened by some of the results received from Māori youth, with an uptake in Māori ticking the box that 'ACC looks and feels like me'.

The Board queried the benchmark from December 2019, noting that these numbers were the baseline, and asked how the metrics compared with IRD, which had been used as a comparator for ACC when the campaign was endorsed by the Board. The metrics were very similar and on track.

The Board asked how levy paying business customers were reflected throughout the campaigns. 9(2)(a) explained that this was part of the plan for FY2022. ACC had been focussed on spreading awareness during 2020 and was now looking at how to use communications and engagement levers in all areas of the business to get a better outcome. Ms Powell continued that there were a range of factors that impacted business customer trust – some would be addressed through public campaigns, while others through direct communications.

9(2)(a) introduced the Board to the incremental and multi-year brand revitalisation programme. This approach would retain all the positive associations with ACC's brand, but would allow for a new and more relevant expression. The changes would be built from the inside-out. The Board asked that Management engage early with the Board on images and other brand changes.

The Board thanked Management for the presentation, noting the challenge that ACC has as most clients engaged directly with providers. This was a multi-year process and it was useful to see the progress made in this environment.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** the early positive results of ACC's public awareness activity during the 2020 calendar year, including a steady uplift in key ACC campaign metrics – awareness, visibility, understanding and sentiment.
- (b) **Endorse** ACC's public engagement approach and plans for FY22, with a strong focus on engagement to support business performance.

### 5.1 (b) Preventable Campaign

9(2)(a) introduced the paper. The production of materials for the preventable campaign was almost complete, with 'go-live' scheduled for 11 April. Management would provide the material for the Board to preview and would continue to report back on progress through weekly and monthly reporting.

Management explained the key research cohort involved in preventable, which included 900 people to allow tracking and measurement of the claim profile.

The Board discussed digital engagement beyond delivery of advertising. Management responded that there was active monitoring and proactive messaging across multiple sources. The campaign would direct people to the ACC Newsroom.

The Board discussed the campaigns, noting that the profile of investment over five years had been deliberate with an initial focus to build awareness and benchmarking. It was important to keep the campaigns aligned internally.



**RESOLVED:** The ACC Board resolved to:

- (a) **Endorse** the public launch of the 'Preventable' injury prevention initiative on 11 April 2021, subject to sending the material to the full Board and sign off by the Chief Executive and the Board Chair.
- (b) **Note** that significant stakeholder engagement is underway to ensure employees and external partners are briefed and able to actively support the launch. This includes the opportunity for Ministerial involvement through a media statement.
- (c) **Note** that it is designed to directly impact on the whole ACC claim portfolio - as well as support the impact of individual Injury Prevention programmes to enhance wellbeing and reduce the cost of claims.
- (d) **Note** that it is primarily a communications initiative that has been funded for a two-year proof of concept phase.
- (e) **Note** that significant independent consumer research and expert guidance has underpinned its development and a robust monitoring framework is in place.
- (f) **Note** that 'Preventable' was designed with reference to ACC's Whāia Te Tika strategy.
- (g) **Note** that it supports, and is supported by, the ACC Public Awareness campaign and Brand activity.

## 5.2 Statement of Intent & Service Agreement

Mr Healy introduced the accountability documents, noting that following during 2020, the Service Agreement had been delayed by three months and the Annual Report had also been delayed due to COVID. As explained to the Board last month, the Statement of Intent would not change significantly this year but would undergo a full refresh later in 2021.

The Service Agreement would be provided to the Board as soon as possible ahead of a formal review at the meeting in April.

The Board discussed the "Stronger Together" theme for the Annual Report outlined in the paper. It was important that ACC speak to its clients and levy payers about what it was doing for and through them and this needed to strongly come through in all documentation. This emphasis could even be seen in the sentence structure, which was very ACC focussed.

The Board's specific feedback was as follows:

- There was no reference to the HSS and improving outcomes for clients in the key messages – this was important to include.
- Investments was referred to three different ways throughout and should be aligned.

- The value order was not consistent – safe kiwis should be the top value.
- Customer and client were used interchangeably throughout.
- Feedback from the previous meeting on financial sustainability had been incorporated, but now read as financial sustainability plus ESG.
- The use of te reo Māori was excellent, but Management should check spelling and macrons.

The Board had a broader discussion on ACC's vision, noting that it did not reflect business customers. Mr Pickering noted that the Board would have a chance to discuss this in depth later in the year, but Mr Healy would also reflect this in the current SOI. The 'unique partnership' represented the unique interactions that ACC had in the lives of New Zealanders.

The Board noted that it had had a discussion yesterday on the link between the accountability documents and the Minister's Letter of Expectations and asked Mr Healy to reflect the upcoming 2021 refresh of the Statement of Intent.

The Board Chair asked the Board to provide any detailed feedback to Mr Healy directly.

The Board Chair noted that Dr Nott, Mr Bowler, Mr Brabazon and Dr Batten were happy to be involved in any further reviews of the accountability documents.

**RESOLVED:** The ACC Board resolved to:

- Review** the draft SOI21-25 and provide feedback to management as appropriate.
- Approve** the release of the draft SOI21-25 to Treasury, MBIE and EY for their review pending any Board revisions.
- Note** management's proposed theme and key messages for the Annual Report 2021 and provide feedback.
- Note** the proposed timeline for the annual report, with a first draft to the Board in late July 2021 and presentation to the House in September/October 2021.

### 5.3 Budget 2020/21 (BEFU2021)

Mr Healy presented the proposed budget, the forecast for this financial year, and the forecast for the following three years. The update reflected strong economic growth assumptions from Treasury, which in turn lead to higher claims cost. The budget assumed the trajectory of improvement in rehabilitation performance would continue. ACC was still awaiting more information from the Ministry of Health on the PHAS costs and was currently working within a 3-11% increase, with 8.5% assumed in the budget. The OCL strain was not assumed in the budget. Management believed this was a fair and appropriate budget.

The Board reviewed the recommendations, noting that it was difficult to approve the budget without a business plan, including injury prevention and rehab performance. The Board was able to approve providing the forecast to Treasury, but not the budget for Management to work with for the rest of the year.

The Board asked how the gap between levies and new year claims costs was reflected and assumed within the proposed forecast. Mr Healy responded that levy increases were projected in line with the funding policy, but there would only be a small impact in FY 2021/22.

The Board noted that some ICIP benefits had been included and some excluded. This would be clarified for the Board as part of the business plan.

The Board asked Management to amend some of the language used, for example the combination of sensitive claims and kaupapa Māori.

The Board discussed whether the Risk Assurance and Audit Committee had a role in approving this budget, but that the timing was slightly wrong given the next Committee meeting was not until May.

**RESOLVED:** The ACC Board resolved to:

- (a) **Approve** the preliminary Budget and Forecast for the financial years 2021/22 to 2024/25 be provided to Treasury by 6 April 2021 subject to any amendments arising from the Board's review being approved by the Board Chair and Deputy Chair.
- (b) **Note** the preliminary Budget and Forecast is subject to upcoming business planning processes.

#### 5.4 Internal Audit Charter

In response to a query from the Board, Mr Raubal explained the assurance processes. The Board noted that this had been provided directly to the Board at the request of the Risk Assurance and Audit Committee Chair, and that she had no comments on the changes.

**RESOLVED:** The ACC Board resolved to **approve** the Internal Audit Charter.

#### 5.5 Information Management Policy

The Board asked Mr Fletcher to ensure that the government responsibilities of the Chief Information and Technology Officer were included. In response to a query regarding data sharing and potential breaches, Mr Fletcher explained that each agency was responsible for data under its control and sharing arrangements were governed by Memoranda of Understanding.

In response to a query regarding the ethical use of data, Mr Fletcher explained that an Ethics Group was embedded into ACC's procedures involving data.

The Board asked Mr Fletcher to make minor updates to the Policy including referring to the Ethics Group and to continuous improvement in the corporations' processes.

**RESOLVED:** The ACC Board resolved to **approve** the Information Management Policy subject to the changes requested by the Board.

## 6 Performance Reports

### 6.1 Health, Safety and Wellbeing Report

The Board took the report as read and discussed focussed on:

- ACC's PCBU responsibilities in relation to providers.
- Work related stress incidents, and concern about staff not wanting further support. The Board requested that this be looked at in detail at the next Governance and Remuneration Committee.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** progress toward becoming a leader in health, safety and wellbeing.
- (b) **Note** there were no notifiable events in February 2021.
- (c) **Note** the health, safety and wellbeing performance indicators.

### 6.2 (a) Legal Report

<sup>9(2)(a)</sup> offered to take the report as read and talked to the key points relating to the *Stafford* decision, which was a positive result for ACC. ACC would be making submissions on the notification process arising out of the decision which were due on 29 March. The Board requested that Management provide the submissions to Messrs Miller and Bowler for review.

In response to a matter arising, <sup>9(2)(a)</sup> explained the legal and court fees to date for *Stafford* was \$325,000. The Board requested the final total of cost of the *Stafford* appeal be brought to the Board Investment Committee.

**RESOLVED:** The ACC Board resolved to **note** the High Court's decision in *Stafford* confirms the Crown cannot direct ACC about an investment property, but has asked for further submissions on a strengthened notification process.

### 6.2 (b) Policy Update

Ms Powell introduced the report and explained that the Cabinet paper was drafted by the Ministry of Business, Innovation and Employment and was yet to go to the Minister. The proposals were not substantial, and many had already been agreed by Cabinet during the previous term. The content had not changed since the previous meeting, and there were no new risks raised that the Board had not seen before. The changes to the draft confirm current operational practice and took out ambiguity from a stakeholder perspective.

The Board Chair clarified that this was the Minister's paper and the Board could only provide its comments. The Board did not have any further comments.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** that MBIE has prepared a draft Cabinet paper on proposals for an Accident Compensation (Work-Related Injury and Other Matters) Amendment Bill (the Bill), intended to come into effect in July 2022.
- (b) **Note** that the Bill has a limited scope, and consists of proposals previously raised with Cabinet or the Minister for ACC.
- (c) **Note** that the Bill includes:
  - i. Technical proposals, which have largely already been approved by Cabinet, to improve consistency with other systems and support operational improvements.
  - ii. Targeted Scheme policy proposals to address Ministerial priorities, largely focused on work-related injury.
- (d) **Provide comment** on the enclosed draft paper, 'Cabinet Social Wellbeing Committee: Proposals for the Accident Compensation (Work-Related Injury and Other Matters) Amendment Bill' by 30 March 2021.

## 7 Board Administration

### 7.1 Minutes of Meeting held on 25 February 2021

**RESOLVED:** The ACC Board resolved to **approve** the minutes of the meeting held on 25 February 2021, subject to the following changes:

- A sentence added to the beginning noting that Propero consultants were in attendance to observe the Board meeting and provide a report to the May Board meeting.
- Add the upcoming disability support discussion paper to the Matters Arising.

### 7.2 Schedule of Matters Arising

The Board queried the completion of the matter regarding the ROI and KPIs in ACC's engagement strategy. Corporate Secretariat would follow up with Ms Powell. The matter regarding cost on *Stafford* would be reported to the BIC when appropriate.

**RESOLVED:** The ACC Board resolved to note the Schedule of Matters Arising.

### 7.3 Confirmation of Decisions Made Out of Cycle

**RESOLVED:** The ACC Board resolved to:

- (a) **Confirm** that there were two matters decided out of cycle during the period of 19 February 2021 to 18 March 2021 regarding the ACC Board Risk Assurance and Audit Committee's Terms of Reference, and the Renewal of Operational Contracts.
- (b) **Note** there were no papers held over from previous meetings.

### 7.4 Annual Work Programme

The Board Chair suggested that the programme include key people the Board should meet as well as any site visits. Mr Pickering agreed and noted that an upcoming meeting could showcase the new ways of working being adopted in the Justice Centre, and he would also ensure the Board visited new sites in both Hamilton and Dunedin in due course.

**RESOLVED:** The ACC Board resolved to note the annual work programme.

## 8 General Business

There were no items of General Business.

**Closure:** The meeting closed at 3.30 pm.

Approved

Chair .....

Date .....