

Minutes of the meeting of the Board of the Accident Compensation Corporation held at the ACC Board Room, Level 7, Justice Centre, 19 Aitken Street, Wellington on Thursday, 27 September 2018 at 9.00 am.

Present

Dame Paula Rebstock	Chair	
Mr Trevor Janes	Deputy Chair	
Ms Anita Mazzoleni	Member	
Mr James Miller	Member	
Ms Kristy McDonald QC	Member	
Mr David May	Member	
Ms Leona Murphy	Member	Until 2.50 pm

In attendance

Mr Scott Pickering	Chief Executive	Items 2.1-8.4
Mr Mike Tully	Chief Operating Officer	Items 2.1, 4.1
Mr Peter Fletcher	Chief Technology & Transformation Officer	Item 4.1
Ms Deborah Roche	Chief Governance Officer	Items 2.1, 4.1, 5.3, 6.1
Mr Herwig Raubal	Chief Actuarial and Risk Officer	Items 2.1, 2.2, 4.1, 5.2
Ms Sharon Champness	Chief Talent Officer	Items 2.2, 4.1, 5.1, 5.2, 6.2
Mr John Healy	Chief Financial Officer	Items 2.1 – 5.2
9(2)(a)	Head of Business Customer Service Delivery	Item 2.1
Ms Gabrielle O'Connor	Head of Client Service Delivery	Item 4.1
9(2)(a)	Head of Health and Safety Systems	Item 6.2
	General Counsel and Company Secretary	Items 2.1-8.4
	Senior Associate Company Secretary	Items 2.1-8.4

1 Procedural Business

1.1 Apologies

There were no apologies.

1.2 Register of Members' Conflicts of Interest Arising

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 Board only session

RESOLVED: The ACC Board resolved to:

- (a) **Accept** Mr David Robinson's resignation as ACC's representative to Kiwi Group Holdings Ltd's board of directors.
- (b) **Appoint** Dame Paula Rebstock as ACC's representative on Kiwi Group Holdings Ltd's board of directors.

2.2 Chief Executive's Report

Mr Pickering discussed the following topics with the Board:

- An update on performance, with specific reference to the latest rehabilitation results and review performance.
- An update on the recent Executive offsite in Martinborough.
- An outline for a new Innovation approach for ACC, which will be led by the Chief Executive.
- An update on the delivery of the Chief Executive and Executive-led Strategic Investment and longer-term planning approach.
- An update from recent engagements with frontline staff, including feedback from visits to Christchurch and Dunedin.
- An opportunity for the Board's input into preparations for the Board's November Strategy Day.

- An overview of ICIP delivery and performance to date, with specific reference to the successful delivery of Claims Front End Establishment and the actions underway to address challenges with the Analytics programme.

9(2)(a) discussed the proposed proactive communications approach to the levy reimbursements that the Board had previously approved. The Board agreed with the approach, noting that this was the right thing to do.

Mr Healy updated the Board on the recently-obtained seismic ratings of Justice Centre and five ACC branch sites around New Zealand. The Board encouraged Management to share information with staff about the reduction in seismic rating when appropriate.

RESOLVED: The ACC Board resolved to:

- (a) **Note** the Chief Executive's report.
- (b) **Note** Management's proposed proactive communications approach to levy reimbursements.
- (c) **Note** that the levy reimbursement communication would occur around 8 October 2018.

2.3 Strategic Risk Discussion – Our People

Mr Raubal introduced the discussion, noting that its purpose was aligned with the Five Lines of Assurance, the focus of which is to achieve ACC's strategic intentions. The focus of this discussion was on the strategic intention to "maintain a diverse, high performing workforce empowered to deliver great customer experiences and outcomes".

Ms Champness advised that:

- The two risk areas were Health & Safety ('we fail to take reasonable and practicable steps to prevent harm to employees or third parties') and People & Culture ('we do not have the organisational leadership, capability or capacity in our workforce to effectively deliver business performance and transformative change').
- Health & Safety residual risk was rated at 'medium'. This applied both to ACC's own organisational risks and third party risks. Management had received legal advice about the nature of its obligations regarding third parties. Good progress had been made in reducing the risk, however there were some challenging areas concerning client interaction that could prove intractable.

- In relation to People & Culture, the residual risk was conservatively estimated to be 'medium'. The scale of the change being managed internally and the external employment relations environment were challenging. Management therefore expected the efforts in these areas would be to prevent a deterioration in the rating rather than achieving a reduction to 'low'. Measurable improvements were linked to the Talent plan. Future risks were being considered regarding the workforce of the future and new generations coming through the organisation.

The Board raised the topic of bullying and harassment and asked what risk might exist for ACC arising out of historic situations, as this sort of risk could be seen emerging in other organisations. Ms Champness advised this had not been an area of focus but would be looked at. The Board suggested a scan of exit interviews might provide some insights. Ms Champness agreed and confirmed nothing in the exit interviews suggested this was a risk.

The Board suggested Management break down the actions in the Talent plan, as it was an ambitious plan and it could be unrealistic to seek to achieve everything in the time frame. The Board would find it helpful to see progress on individual elements of the plan. With reference to the AUT programme, the Board noted that, at the last graduation, AUT had asked how the programme should evolve in terms of ACC's transformation. Ms Champness confirmed that this was on Management's radar.

RESOLVED: The ACC Board resolved to:

- (a) **Review** the strategic intention to "maintain a diverse, high performing workforce empowered to deliver great customer experiences and outcomes" using the Five Lines of Assurance approach.
- (b) **Note** that the overall (residual) risk profile for this strategic intention is assessed as 'Medium' with treatment plans and assurance activities in place to retain the rating at "Medium" by ensuring that this risk does not increase in a challenging internal and external environment.

3 Health, Safety and Wellbeing Walk Around

The meeting adjourned for an hour while Board Members undertook a floor-walk to gain insights into the Justice Centre staff's health, safety, and welfare.

4 Operational Reporting

4.1 Operational and Financial Performance Report

(a) ICIP Reporting

Mr Fletcher introduced the report. Management had continued to add to the report to give a better idea of the spend and benefit trends. The forecast for the work on Analytics meant it was possible the \$164 million that had been planned for spend this year would come under pressure. Overall, though, the ICIP forecast had no drawdown or request to use any of the c.\$100 million contingency.

The portfolio dependencies dashboard continued to track complete matters. The team was actively managing the dependencies in terms of future events and the implications of shifts in any of those milestones. Mr Fletcher noted the successful launch of Claims Front End Establishment (CFEE) was a key achievement for ICIP. This achievement was a real credit to Ms O'Connor and ^{9(2)(a)}

The project had come in slightly under the revised budget and on time. There was one severity 2 issue on the first day, which was resolved the same day. Although there remained a slight backlog, this was nothing untoward.

Mr Fletcher described concerns with the Analytics project, including potential risks to achieving the March 2019 delivery date. Management had been working hard, including working with all external providers, to align the plan with the Eos 8.8 Upgrade delivery in March, but March delivery did not seem feasible. Thus, the Analytics project status was now red. However, by decoupling Analytics from the Eos 8.8 Upgrade and other deliverables due in the first part of 2019, the scheduled Eos 8.8 Upgrade and Client Payments delivery dates would remain on track.

The Board asked what Analytics would deliver, how it could be decoupled from the other projects, and whether anything was being lost in the process. Mr Fletcher advised that the reason the projects had originally been joined was because changes in the underlying data were thought to be so big that a large part of the reporting out of existing warehouses would fail to work unless the warehouses underwent repair. The preferred course was to spend time and effort delivering new services rather than repairing the warehouses. However, it had proved possible to decouple CFEE from Analytics, and the process of doing so had given Management a deeper understanding of the warehouse issues. The work to date on the Eos 8.8 Upgrade had also given Management a deeper understanding of the differences between the upgraded system and the older system, with

the result that there was now a greater confidence that it would be possible to make the necessary changes to the existing warehouses over a 10-week period.

The Board asked if the decoupling meant ACC was staying on the old warehouse. Mr Fletcher confirmed this was the case. In response to a Board query, Mr Fletcher explained that the main challenge was putting the context and business rules around the data once it was in the data lake to make it accessible for the analytics tools. There was a reasonable path to achieve this but it would take longer than desired.

In response to a Board query, Mr Fletcher advised that the extra work occurring before Christmas would be \$1 million more than budget. A slip in programme completion of two months had potentially a \$20 million cost (run rate of \$11 million per month), so the right thing to do was to try and prevent delay to the delivery of other projects. Analytics still had to be delivered, and there was a path to achieve this, even though it was frustrating.

Mr Fletcher added that, in the coming month, the scope of Next Gen would be locked down, to avoid any surprises. The Board asked if Management was confident these changes would enable delivery of Next Gen on time and on budget. Mr Fletcher advised there was some way to go to have confidence of this. Management's aim was to deliver Analytics ahead of Next Gen. If that could not be achieved, remediation work would be undertaken, to not slow down Next Gen. Management would expect to know by November 2018 if this was necessary.

The Board asked what changes would be most noticed by staff. Ms O'Connor advised the changes were being delivered as a bundle. The teams in Launch Pad were responding well. Business as Usual teams were also responding well, and it would not be a surprise to them to be thinking about all those elements simultaneously. Mr Pickering noted that staff would know they were getting the whole package due to the way the organisation had been communicating about the plans.

Mr Fletcher reported that the programme was getting good feedback from users of Juno about ease of use. In response to a Board query, Mr Fletcher advised that Juno was ahead of target on FTE requirements, putting it ahead of target on that aspect of benefit realisation. Spend was tracking well to plan on both Client Payments and Eos 8.8. Overall spend was slightly behind budget, but that was due to deferred activity rather than savings.

The Board complimented Management on a good report and noted Ms O'Connor had done a good job. In response to a Board query, Ms O'Connor advised that Analytics was everyone's focus point, and was being solved together. The Board noted that the same root cause of the problem in

Analytics—underestimating complexity—had also been an issue in Juno, and asked if it would also be an issue for Client Payments. Ms O'Connor advised that it would not. Mr Fletcher added that it was not so much about complexity, but the work required to ensure the data was in a right state to do with it what the organisation planned to do.

RESOLVED: The ACC Board resolved to:

Note the ICIP report.

(b) Claims Costs

Mr Healy introduced the discussion and reported that the OCL had increased by over \$2 billion in the past two months due to discount rates dropping.

Board discussion focused on:

- Registered claims on a 12-month basis had increased to more than 2 million.
- The largest drivers of weekly compensation (WC) claims had come from the Work Account and the Earners' Account, with the Earners' Account having 63% of the WC volume. The increase in claims by under-35s was driving volumes more than industry type. The biggest industry increases in the Work Account had been construction and manufacturing. The bigger impact was in the Earners' Account, as the Work Account had more controls, especially in the health and safety area. This information had been shared with the Injury Prevention team.
- WC claims tended to increase as the economy strengthened.
- Claims complexity, how ACC measured claims complexity, and the effect complexity had on rehabilitation rates.

In response to a Board query, Mr Healy explained that he did not yet have full insight into the drivers of claims costs and those costs that were within or outside of ACC's control. He hoped to be able to be more precise in the next 12 months. The Board expressed its appreciation of the good progress that had been made.

ACTION: Management to present to the Board a paper on external shock scenarios on the investment fund.

RESOLVED: The ACC Board resolved to:

Note the Claims Costs Report.

(c) Operational and Financial Performance Report

Mr Healy advised the Board that the main theme had been around claims and that, since next month was the end of a quarter, there would be an update on net trust scores, return to work, and reviews.

ACTION: Management to include number of people returning to work as well as percentages of people returning to work.

RESOLVED: The ACC Board resolved to:

Note the Operational and Financial Performance Report.

5 Board Papers

5.1 Risk Appetite Statements

Mr Raubal summarised the changes to the Risk Appetite Statements, noting that they reflected the Board's feedback on previous versions of the Statements. The outstanding Statement related to privacy, which was included separately for the Board to consider. A proposed activation plan had also been included for the Board's comments.

In response to a query from the Board, Mr Raubal reported that the risk tolerances would be in place by September 2019. The Board asked Management to clarify in the Injury Prevention Statement that the higher risk the Board was willing to accept was on the return on investment; the statement as written could be misinterpreted. The Board requested that the Privacy Statement reflect the information that was ACC's and that which was personal information, and reflect that ACC was always averse on the control environment. The Board discussed how ACC had changed to privacy by design after its August 2012 privacy breach, that privacy by design should be specifically reflected in the Privacy Statement, and that ACC needed to continue to challenge itself on this aspect. Ms Roche noted that a paper would be brought to the Board in October 2018 on privacy Key Result Indicators, and that it was taking the privacy by design approach. Mr Pickering explained that MyACC had been designed as a privacy by design solution to allow customers to access and share information in ways that worked for them.

The Board asked what was meant by the risk appetite being 'open' in relation to capability of people. Mr Pickering explained that this referred to being open to new ways of developing capabilities of employees.

On the activation plan, the Board asked that more be done to lift risk assessments and match the Statements with the risk assessments in Board papers. It would help to drive a more active discussion of risk if more than one option was presented.

RESOLVED: The ACC Board resolved to:

- (a) **Approve** the Privacy RAS, subject to the changes discussed at the meeting.
- (b) **Note** the final FY18/19 RAS and risk appetite activation plan activities underway.

5.2 Annual Report

Mr Healy presented the paper to the Board and explained that the cover paper noted the main changes that had been made since the previous draft considered by the Board, including the Minister's foreword and Māori translations to the forewords. In response to a Board query, Mr Healy advised that neither he nor the auditors were aware of any significant events that would require disclosure that had occurred between the drafting of the annual report and the finalisation of the report. The Board was asked if it was aware of any such matters and it was noted that there were none.

The Board discussed the trend in the industry to condense the size of annual reports, while also finding ways to include information on environmental, social, and governance (ESG) factors. It was suggested that Management could consider producing a separate ESG report or making ESG information available online.

The Board noted that at the August 2018 Risk Assurance and Audit Committee meeting, the Committee had considered the financial statements, statement of responsibility, and representation letter and recommended them to the Board.

Mr Pickering and the Board congratulated Mr Healy on the quality of the annual report.

RESOLVED: The ACC Board resolved to:

- (a) **Approve** the signing of the 2018 Annual Report and letter of representation.
- (b) **Approve** the use of electronic signatures of the Chair and Deputy Chair in the published Annual Report.

5.3 Power of Attorney Approval

Ms Roche presented the paper, explaining that it was an annual review of the Deed Granting Power of Attorney. The only changes from the previous Deed were to replace the names of previous attorneys who had left ACC with the people currently in those roles, adding the General Counsel as an attorney, and correcting typographical errors.

RESOLVED: The ACC Board resolved to:

- (a) **Approve** a new Deed Granting Power of Attorney (the new Deed).
- (b) **Note** that the new Deed is on the same terms as the current Deed except for the addition of new named staff.
- (c) **Delegate** authority to two Board members to execute the new Deed.

5.4 Shamrock Director Appointment

Mr Pickering presented the paper, noting that the the number of board members on Shamrock's board would increase from four to five. He discussed the two board member nominees' backgrounds and the rationale for appointing them to the Shamrock board.

RESOLVED: The ACC Board resolved to:

- (a) **Agree** to increase the number of directors of the Company from four to five, as required by clause 5.1 of the Company's Constitution.
- (b) **Appoint** Mmes Marsden and Champness as directors of the Company effective from 1 October 2018 under clause 5.6 of the Company's Constitution, subject to approval by the Financial Markets Authority.
- (c) **Note** Mmes Marsden's and Champness's three-year terms as directors of the Company will begin on 1 October 2018 and end on 30 September 2021, as required by clause 5.2.1 of the Company's Constitution.
- (d) **Indemnify** Mmes Marsden and Champness for liabilities and costs incurred in their capacities as directors of the Company and authorise any two Board Members to execute the attached Deed of Access and Indemnity for and on behalf of ACC.
- (e) **Note** that, as provided by the Cabinet Office Circular CO (12) 6, Mmes Marsden and Champness are not entitled to director fees as they are employees of ACC.

- (f) **Authorise** the Company's Company Secretary to deliver to the Registrar of Companies notice, under section 159 of the Companies Act 1993, of Mmes Marsden's and Champness' appointments.
- (g) **Note** following Mmes Marsden's and Champness's appointments, women will make up 60% of the Company's Board.

6 Performance Reports

6.1 Policy Update and Legal Report

The General Counsel updated the Board on two matters:

- The Ministry of Social Development case involving pseudonyms.
- Treatment injury test cases that will go to court in October 2018.

In response to a Board query, the General Counsel explained that ACC's adoption of the New Zealand Law Society's equitable engagement policy set targets for lead representation in court. The new panel that ACC was looking to put in place would be an open panel.

9(2)(h)

ACTION: Management to prepare a Torchlight paper for a future Board meeting.

RESOLVED: The ACC Board resolved to:

Note the legal report.

Ms Roche presented the policy report. The Board's discussion focused on Loss of Potential Earnings (LOPE), the minimum wage, and governmental discussion on whether LOPE should be paid at 80% or 100% of the minimum wage. The Board was strongly in favour of maintaining the 100% of minimum wage position that ACC operated under. The Board noted that LOPE comes out of the Non-Earners' Account.

In response to a Board query, Mr Tully explained how the Scheme applied to sensitive claims that occur in prison.

Ms Roche updated the Board on a Social Wellbeing Board family violence announcement that would be made, and on the funding arrangements which Treasury was looking into.

Ms Roche also reported that the new Associate Minister for ACC had been given his delegations which were different from the previous Associate Minister's delegations.

ACC staff had met with members of a new welfare expert advisory group. The group had discussed the application of the Scheme to people with permanent disabilities. Ms Roche noted it was interesting that groups were looking favourably at ACC's activities.

The Board discussed the State Sector Act reform consultation.

RESOLVED: The ACC Board resolved to:

- (a) **Note** we will be providing further advice to the Minister over the next month on the following aspects of the legislative modernisation work:
- i. Consequential injury – following the advice last month on changing weekly compensation entitlements for non-earners, a clarificatory change is needed to the approach to consequential injury
 - ii. Injury prevention test – to give effect to ACC's injury prevention strategy, a recommended enabling change to the legislation to support a broader investment mandate
 - iii. Technical amendments – a set of minor, technical changes that address well-understood operational issues that should be included in the reform programme.
- (b) **Note** the injury prevention advice is consistent with the advice the Board has previously seen and the consequential injury advice is a necessary piece of follow up advice following the advice the Board saw last month on earner status changes
- (c) **Note** this paper summarises the advice that will be provided to the Minister and we will provide the Board with copies of the briefings for information via the weekly report

- (d) **Endorse** ACC's position on the technical issues for inclusion in the legislative programme
- (e) **Note**, in preparation for final advice to the Minister on LOPE rates, we have included additional cost information to reflect the Government's signalled desire to lift minimum wage rates significantly by 2021 (even though they have not yet taken this decision)
- (f) **Note** a change to the minimum wage rate would increase the cost impact of all options to change the LOPE rate (including ACC's preferred one)
- (g) **Confirm** ACC's previous preferred policy option – to increase the LOPE rate to 100% minimum wage – considering this additional information
- (h) **Note** an oral update will be provided at the Board meeting on the current Amendment Bill before Select Committee, the Government's health and disability and welfare system reviews, and the induction for the new ACC Associate Minister.

6.2 Health, Safety and Wellbeing Report

Ms Champness introduced the Report and asked for feedback on the Board Members' Health, Safety and Wellbeing walk around the Justice Centre. The Board discussed:

- The standing desks employees used,
- The need for more people to be trained to use defibrillators.
- The expansion of work areas into common areas.
- Staff responses to Members' questions about the extent to which health, safety, and wellbeing had become part of the culture: employees had indicated that they were participating in health, safety, and wellbeing, not just being told what to do.
- Hot desking and how it could be a significant disruptor for some people. Ms Champness explained that Talent was identifying roles that could benefit from fixed locations and those that do not need fixed desks. In general, Ms Champness had found that people who were out and about frequently enjoyed hot desking.
- Wellbeing and mental health: doing the job right instead of doing it within a specific timeframe, and leaders' impact on work-life balance in their teams.

The Board requested that consideration be given to an upcoming Board meeting being held in ACC's Nuffield Street office. Mr Pickering would look into its feasibility.

Ms Champness thanked the Board for participating in the walk around and engaging with staff on health, safety, and wellbeing.

RESOLVED: The ACC Board resolved to:

- (a) **Note** actions underway to mature our safety system, demonstrate safety leadership and strengthen our safety culture.
- (b) **Note** there were no notifiable events in August 2018.
- (c) **Note** the health and safety performance indicators.

7 Committee Updates

7.1 Investment Committee

Mr Janes updated the Board on the matters considered at the Investment Committee meeting on 26 September 2018, including the Strategic Asset Allocation.

NOTED: The ACC Board **noted** the Investment Committee update.

(a) Investment Delegations

Mr Janes introduced the paper, which had been recommended by the Board Investment Committee at its 26 September 2018 meeting. The Board accepted the Committee's recommendation to approve the changes to the Investment Delegations.

RESOLVED: the ACC Board resolved to:

- (a) **Note** that the Board Investment Committee has endorsed the changes and recommends to the Board that they be accepted.
- (b) **Approve** the amended Investments delegations attached at Appendix 2.

8 Board Administration

8.1 Minutes of Meeting held on 30 August 2018

APPROVED: The Board resolved to approve the minutes of the Board meeting held on 30 August 2018.

8.2 Schedule of Matters Arising

The Board **noted** the Schedule of Matters Arising.

8.3 Confirmation of Decisions Made Out of Cycle

Confirm the one decision that was made out-of-cycle for the period 24 August 2018 to 21 September 2018.

8.4 Annual Work Programme

NOTED: The ACC Board **noted** the annual work programme.

9 Confirmation of Next Meeting

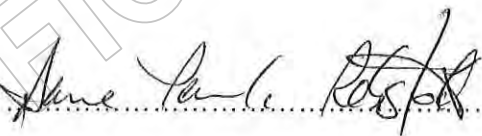
To be held at the ACC Board Room, Level 11, PwC Tower, 188 Quay Street, Auckland on Thursday 25 October 2018 at 9.00 am.

Closure

The meeting closed at 2.55 pm.

Approved

Chair



Date

