

# ACC Investments Independent Review 2025

## Detailed Terms of Reference

### Background

ACC operates under a legislative framework and organisation mission and purpose, which are broader than just investing. ACC's purpose 'Tō Tātou Aronga', is to improve lives every day through a focus on prevention, care and recovery for all people in New Zealand who are affected by injury.

ACC has explicit liabilities stemming from these accidents, which means that the assets need to be managed to fund these liabilities over the long term. One of ACC's values, 'He kaitiaki totika' Responsible stewards, means to gather and wisely invest income to meet the needs of today's and tomorrow's Kiwis. This value underpins the activities of ACC Investments.

ACC has legal obligations as an investor under its enabling legislation, such as the obligation to invest in the act as a trustee under section 275 of the Act, the obligation to avoid prejudice to New Zealand's reputation as a responsible member of the world community (section 271(3A)(c)(v)), and other obligations as laid out in sections 276, 166 and 166A.

ACC Investments is a part of the larger ACC organisation, which has implications for resourcing some parts of the investment function, e.g. reliance on joint services such as Information Technology and Human Resources.

### 1. Policies and procedures

- (a) The Reviewer should assess whether the Statement of Investment Policies, Standards and Procedures (SIPSP) and other investment policies are 'fit for purpose', which should include alignment to ACC's legislative purpose and objectives, including alignment with its obligation to act as if it were a trustee (under section 275 of the Act). This should include, but is not limited to the:
  - i. The asset and liability framework as applied to each of the scheme Accounts (encompassing strategic asset allocation),
  - ii. framework for evaluating investments in asset classes that are not included in the strategic asset allocation framework,
  - iii. classes of investments in which the account schemes are to be invested and the selection criteria for investments within those classes,
  - iv. determination of benchmarks or standards against which the performance of the scheme accounts as a whole, classes of investment, and individual investments will be assessed,
  - v. manager selection framework,
  - vi. use of options, futures, and other derivative financial instruments,

- vii. Risk management framework, including management of credit, liquidity, operational, currency, market, and other financial risks, and
  - viii. any investment constraints or limit documentation.
- (b) The Reviewer should be satisfied that ACC's Policy Framework, application, and appropriateness of the framework is fit for purpose in all material respects.
  - (c) The Reviewer should be satisfied that ACC is complying with any procedures set out by the Minister of Finance in relation to section 276 of the Act.
  - (d) The Reviewer should assess whether the frameworks for choosing between internal or external management of investment asset classes are 'fit for purpose' and are aligned with ACC's legislative purpose and objectives.

## **2. Investment performance**

The Reviewer should be satisfied that the measurement, calculation and reporting of investment returns for each scheme account is fit for purpose.

It is expected that the Reviewer will evaluate the ex-post performance of each scheme account since inception: this is expected to incorporate a time period analysis.

The Reviewer should form an opinion of the drivers of returns over the time period: commenting on the appropriateness of the contributions from these drivers relative to the risk taken.

It is expected that, in this evaluation, the Reviewer will consider the following areas:

### **(a) *Measurement:***

The Reviewer is expected to be satisfied with the classification and calculation methodologies for asset classes and instruments contained in the portfolio.

If internal model-based valuations are used in the calculation of investment returns the Reviewer should be satisfied with the methodologies used; both in terms of their robustness, and the control processes around their validation and use.

### **(b) *Reporting:***

The Reviewer should examine the following:

- the adequacy, and completeness of the contribution analysis used to inform stakeholders of the scheme accounts' performance drivers, and
- the suitability of investment return reporting, from both an absolute and relative return perspective.

### **(c) *Investment management cost structure and resourcing***

The Reviewer should assess whether ACC's investment cost structure and resourcing is 'fit for purpose' given its wider organisational purpose and legislative context.

### **3. Governance**

The Reviewer should assess whether ACC's investment governance frameworks are 'fit for purpose', including:

- (a) the scope of Board, and delineation of Board, Board Investment Committee and Management responsibilities,
- (b) the appropriateness of Board, Board Investment Committee and Management delegations,
- (c) information flows to the Board: Timeliness/Relevance/Completeness and record keeping, and
- (d) the process of recognising, recording, and managing any conflicts of interest at Executive, Board Investment Committee and Board levels.

### **4. Responsible Investment Framework**

The Reviewer should evaluate ACC's Ethical Investment Policy and responsible investment framework with reference to section 271(3A)(c)(v) of the Act, "avoiding prejudice to New Zealand's reputation as a responsible member of the world community".

### **5. Operational Functions**

The Reviewer should assess whether the following are 'fit for purpose':

- (a) The suitability of information technology given the size and complexity of the investment function and identify whether improvements could or should be made in this area, and
- (b) Assess whether the operational capability and resourcing is suitable given the nature and complexity of ACC's operations and its investment approach.