

AsureQuality
Kaitiaki Kai

Statement of Corporate Intent

2024-25



Contents	
Our Purpose	2
Our Vision	4
Our Values	6
Our Strategy	8
Who We Are	10
What We Do	12
Where We Operate	14
Financials	16

Our primary purpose is to help unlock and grow the value of Aotearoa's \$70+ billion food industry via the trust provided through AsureQuality assurance services.

New Zealand's food is recognised globally for its high standard of quality and safety and is well placed to be at the forefront of emerging demands of the global market and consumer.

Our end-to-end service and expertise across the value-chain is dedicated to upholding this reputation and supporting our farmers, growers and food producers to continue to be leaders in our changing food world.

Helping Aotearoa shape a better food world

The Integrated Food Assurance Partner

To accelerate the future of food assurance, we provide integrated, end-to-end services to ensure sustainable business growth. Our vision is enabled through the expertise and experience of our people, technology and data insights, and partnerships with our customers.



Our Vision

Mahi Tahī Tātou Our Values and Behaviours

Our people are at the heart of our journey and together, with input from our customers and partners, we've defined the culture we need to accelerate the delivery of our strategy – a place where we all belong and are empowered to be our best.

By keeping hold of our strengths and focusing on what we need to do to continue our story of success, our shared Values and Behaviours are an important expression of our desired culture. Much more than words on a page, they guide our actions and decision-making, ensuring we adapt and remain relevant in our modern food world.

That's Mahi Tahī Tātou – One team, all of us together



Trusted *Whakamana*

- Mahi that matters
- Do the right thing
- True to our word



Connected *Whakawhanaungatanga*

- Winning together
- Listen to understand
- Open communicators



Bold *Whakapakari*

- Question, learn, adapt
- Lead change, create better outcomes
- Driven for success

Our Strategy on a Page

A high-level summary of where we will focus our mahi to achieve our goals and vision over the next three to five years

Our Purpose

Why

Our overarching reason for being

Helping Aotearoa
shape a better food world

Our Strategic Vision

Where

Where we are heading – our target destination

The Integrated Food Assurance Partner

Vital to our customers, we provide trust in New Zealand food – unlocking and growing the value of our \$70+ billion food industry in an increasingly competitive world.

Our people are dynamic; operating with integrity – delivering strong sustainable growth by offering unique value adding services and insights that can only be provided by our integrated business.

Our Pillars

What

Our active areas of focus

Service Excellence

Service as promised

Ease of doing business

Fit for purpose systems and processes

Valued Insights and Expertise

Enhanced access to technical knowledge

Integrated data solution and roadmap

Customer decision support

New Assurance Models

Technology-enabled assurance

Integrated services

Strategic ventures growth

Our Foundations

Who

Our key relationships & stakeholders

Our Engaged People

Safety and wellbeing

Great leaders

People and capability

Our Engaged Customers

Voice of customer

Customer fit offerings

Enhanced customer experience

Sustainable for Aotearoa

Revenue and profitability benchmarks

Environmental sustainability

Strong trusted reputation

Active in our Community

Meaningful community partnerships

Volunteer day programme

Our Values

How

How we work together



Trusted
Whakamana



Connected
Whakawhanaungatanga



Bold
Whakapakari

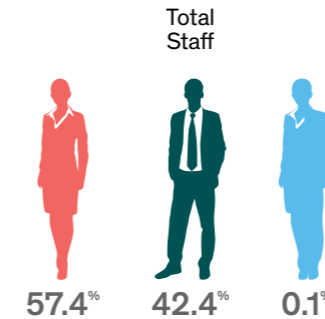
Our people embrace their role as Kaitiaki Kai, guardians of food and are mindful of their shared responsibility to do the right thing for food and the environments it comes from.

Kaitiaki requires collaboration with others; sharing knowledge, resources, and skills so that everyone benefits, now and for future generations to come.

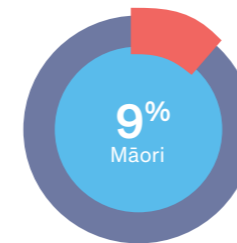
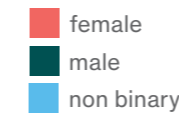
Every day our people are on the ground, bringing a sense of personal commitment to our partners, at every point of their food supply chains. They share and apply the knowledge and insights gained from nearly 150 years of experience, committed to inspiring a safer, more sustainable and transparent food world. As a New Zealand Government owned entity, AsureQuality provides independence of the highest integrity instilling confidence in food producers and consumers.



Celebrating our diversity



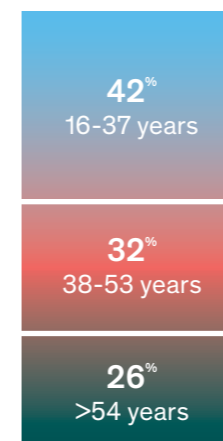
Board, Executive and Senior Leaders



* The above diagram represents the data collected to date (primary ethnicity).

Multiple generational split

across spread of ages



People and Culture

We have a team of over 1700 people across the breadth of our services in New Zealand. Additionally, we have 500 people working in our Bureau Veritas AsureQuality joint venture businesses in Australia and Southeast Asia.

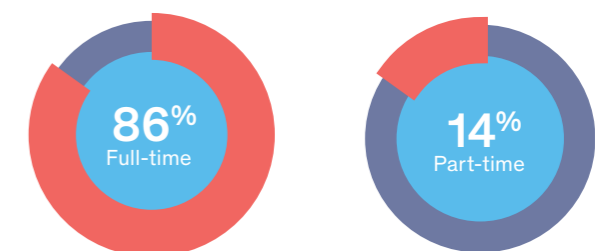
With over 50 different nationalities represented across the business, we are proud of our diverse workforce. Additionally, our gender statistics show a higher proportion of female staff in Food Testing, Specialty Testing, Field and Support Services, with other services more evenly split.

Our people strategy identifies three key focus areas: **our safety and wellbeing**, **our leadership** and **our people and capability**. In parallel with these focus areas, we are actively strengthening our people foundations around people data and insights, talent acquisition and reward.

To enable us to deliver on the defined outcomes in our 3-year strategy, we have developed a focussed set of priorities, with supporting measures.

- We continue to deepen the deployment of the Wellbeing by Design framework and tools across the organisation - an evidenced based approach to work design, and a proactive approach to the wellbeing of our people; enabling them to do their best work.
- We have made significant progress on our safety foundations, unlocking the potential of our safety and wellbeing representatives, optimising the deployment of our critical risk framework, supported by strong visible leadership by our Board and Executive Team.
- Through Q1 and Q2 of FY 2024 we have seen the co-creation of three new values and behaviours with our people. This is part of the second phase in our culture journey (building on our AQ Story – our Whakapapa). These values and behaviours will form the basis of a deliberate shift in our culture, as a crucial enabler of our strategy. At the end of Q4 FY2024, we will be activating these values and behaviours throughout the organisation, our employee experience, and through a programme which is focussed on building capabilities.
- We remain committed to our Te Ao Māori journey, building on the passion and dedication of Te Ropu Aka Whiri Hou (our bi-cultural committee), with a focus on strengthening our engagement and capability to enable our AQ Tikanga and te reo. A te ao Māori perspective has been reflected throughout the development of our values and behaviours.
- We have completed the design and are well underway with deploying our Te Ara Whakapakari, our leadership approach which has been designed with our valuable experiences that will build the capabilities that are vital as a “Great AQ Leader”.
- Our AQ Talent approach has been established to mitigate our greatest talent risks, accelerate development for our people with potential, and unlock greater internal mobility and career growth for our people. We continue to mature our approach through our quarterly leadership disciplines, monitoring progress against critical risks and our talent team.

Full-time vs Part-time employment



With our comprehensive focus on the food supply chain, from farm to consumer, AsureQuality is unique in New Zealand and proud to provide an extensive range of food assurance services.

These services are key to helping farmers, growers and food producers, distributors and retailers meet the necessary domestic and international regulatory and retailer standards to access export markets and assure consumer trust in the safety and quality of food.

Testing

Across our labs in Auckland, Wellington and Christchurch our team of scientists and technicians do testing for food release, forensics and surveillance testing for contaminants and project work.



Auditing

We provide independent auditing expertise for horticulture, food manufacturing, dairy manufacturing, on-farm and environmental programmes.



Other

The biosecurity team works to protect Aotearoa from the impact of pests and diseases in the food and primary industries sector.

To protect livestock from disease, our technicians manage sampling and testing for TB surveillance. Assurance Marks, AQ Assured and AQ Certified provide independent verification of product claims for consumer transparency.

Our data modelling analysts support a range of animal epidemiological scenarios and other primary industry response projects.

Through the Academy we provide an extensive range of courses for vocational training.

Inspection

We are the New Zealand government's recognised meat inspection agency. Our plant and seed health teams offer inspection services for seeds, crops and plants.



Where We Operate

We support New Zealand's food and primary producers and exporters, both in New Zealand and via our network of laboratories in Australia and Southeast Asia.

Southeast Asia

We provide testing services to the dairy and food industry through BVAQ Southeast Asia, our joint venture with Bureau Veritas. Our laboratories are based in Singapore, Malaysia, Vietnam, Thailand and Philippines.

South East Asia

Australia

Australia

We provide testing, inspection and certification services through our joint venture with Bureau Veritas. Together we own BVAQ Australia, the leading service provider to the Australian agri-food industries, with laboratories in Melbourne, Sydney, Brisbane and Perth.

We also have AsureQuality facilities in North Melbourne, where our Diagnostics and Global Proficiency businesses are located.

New Zealand

We offer the broadest range of food assurance services in New Zealand across the food and agriculture industries, with particular strength in dairy and livestock and meat. We also provide services to several international customers, either directly or in support of our teams in market as required.

New Zealand

Performance Targets

Total Company financial and non-financial performance targets for 2025-2027 are lower than expected in last year's SCI due to recessionary market factors in the dairy, meat and regulatory sectors that we operate in, combined with lower biosecurity responses.

Year ending 30 June	2025	2026	2027
---------------------	------	------	------

Financial Performance

Revenue	\$232.0m	\$240.1m	\$251.1m
Earnings Before Interest and Tax (EBIT)	\$6.5m	\$10.3m	\$15.3m
Net Profit After Tax (NPAT)	\$4.0m	\$6.3m	\$10.0m
Net Cash Flow from Operating Activities	\$9.2m	\$10.9m	\$16.3m

Key Ratios

Change in Revenue	103%	103%	105%
Change in EBITDA	102%	129%	129%
Total Shareholder Return	-	1%	2%
Dividend Yield	-	1%	2%
Capital Replacement	314%	190%	183%
Return on Equity	4%	6%	9%
Return on Capital Employed	6%	8%	11%
Operating Margin	7%	8%	10%
Gearing Ratio	32%	34%	34%
Interest Cover	5	6	9%
Debt to EBITDA	3.4	2.9	2.4

Non-Financial Performance

Staff Turnover Rate	<15%	<15%	<15%
Total Injury Frequency Rate	<3.8	<3.6	<3.6
Critical Programme Audit Failures	Nil	Nil	Nil
Critical Facility Audit Failures	Nil	Nil	Nil

Ratio of Shareholders' Funds to Total Assets

AsureQuality's targets for the ratio of Shareholders' Funds to Total Assets are:

Year ending 30 June	2025	2026	2027
---------------------	------	------	------

Shareholders' Funds	\$106.7m	\$111.4m	\$117.9m
Total Assets	\$197.5m	\$208.1m	\$218.9m
Shareholders' Funds / Total Assets	54%	54%	54%

Ratio of Shareholders' funds to Total assets

Shareholders' Funds includes share capital and reserves (otherwise called 'total equity'). Total assets include all current assets and non-current assets (fixed assets, investments and goodwill) for AsureQuality.

Capital Structure and Dividend Policy

Capital Structure

An appropriate capital structure for AsureQuality will maximise the value of the business for the shareholder by enabling growth aspirations to be met, but also minimise the risk of financial distress. The capital structure deemed appropriate for AsureQuality is a long-term BBB credit rating agency benchmark. The liabilities of AsureQuality are not guaranteed in any way by the Crown.

AsureQuality's Board and management recognise the importance of managing all assets of the business effectively, including capital.

The Board will periodically review the Company's target capital structure and may amend the debt profile over time should circumstances require it.

Dividend Policy

The extent of funds available to pay dividends will be driven by AsureQuality's capital structure. Any distribution to AsureQuality's shareholder will be subject to meeting the solvency requirements of the Companies Act 1993 and will follow the processes and procedures generally adopted by directors of publicly listed companies.

In determining the level of funds to distribute as a dividend the Board will take into consideration the following:

- The sustainable financial structure for the business;
- Prevailing economic conditions;
- AsureQuality's medium-term, fixed asset expenditure programme;
- AsureQuality's investment in new business opportunities;
- AsureQuality's working capital requirement; and
- AsureQuality's assessment of the competitive environment.

The Board has considered the ongoing economic uncertainties and the operational and capital investments required to invest in our people, facilities, systems, and processes to improve the existing business (which is required to fund our future) and to explore new opportunities which will become the basis of our future business. Based on these core and strategic investment needs, no dividends are proposed relating to the 2024 and 2025 financial years, with dividends proposed for the 2026 and 2027 financial years at a ratio of 60% of Net Profit after Tax adjusted to exclude any fair value movements. AsureQuality recognises the shareholders' desire for dividends and AsureQuality will continue to review the ability to pay a dividend.

Accounting Policies

The financials presented are for the AsureQuality Limited Group ("AsureQuality" or "the Group") as at, and for the year ended 30 June 2025. The Group comprises AsureQuality Limited and its subsidiaries, and its investments in associates and joint ventures.

The accounting policies will be consistent with:

- the legal requirements of the Companies Act 1993 and the State-Owned Enterprises Act 1986 and any other relevant legislation; and
- New Zealand's Generally Accepted Accounting Principles as appropriate to Tier 1 for-profit entities.

AsureQuality's detailed accounting policies are set out in AsureQuality's latest annual report which can be found here: <https://www.asurequality.com/about/annual-reports/>

There have been no changes to these accounting policies.

Reporting

In accordance with the State-Owned Enterprises Act and the requirements of Shareholding Ministers, AsureQuality will provide the following information.

Within three months after the end of each financial year, an Annual Report including:

- Audited financial statements for the year;
- Notes to the financial statements including accounting policies; and
- A report from the Chair and CEO including a review of operations, changes, if any, to the nature and scope of the Company's activities, an assessment of performance against targets, comments on the outlook for the Company, and matters in relation to dividends.

Within two months after the end of each half-year, a report including:

- An abridged, unaudited statement of the Company's financial performance for the half-year; and
- A report from the Board on the Company's performance.

Within one month after the end of each intervening quarter, a report covering:

- Performance against targets for the preceding quarter;
- Forecasts of key financial and operating performance measures for the remaining quarters of the financial year as appropriate; and
- The reasons for material differences between actual and target performance.

In addition, the Company will provide Shareholding Ministers with a Business Plan and SCI each year.

The Company will also provide other information relating to the affairs of the Company as requested by Shareholding Ministers, in accordance with the provisions of the Act.

Consultation and Approval for Capital Investment Decisions

For some capital investment decisions, AsureQuality may need to seek approval from shareholding Ministers, consult with shareholding Ministers, or simply inform shareholding Ministers.

Where AsureQuality, or any of the subsidiaries it controls, intends to acquire or dispose of assets or shares, either by a single transaction or a series of transactions, that meets the definition of a 'major transaction' as defined in the Companies Act 1993 and/or where AsureQuality proposes to change its dividend policy to fund the investment, shareholding approval is required.

For any transaction or initiative that is not a major transaction and does not require Crown capital or a change in dividend policy, AsureQuality will consult shareholding Ministers before entering into such a transaction if it:

- intends to acquire or dispose of assets or shares, either by a single transaction or a series of transactions, with a book value in excess of \$10 million

- falls outside the nature and scope of AsureQuality's activities as defined in its SCI,
- or involves diversification or overseas expansion (including offshore investments).

Where disposal of assets or shares with a book value in excess of \$5 million is contemplated, an assessment of market value of the assets or shares will be undertaken as part of the sale or disposal process.

AsureQuality will inform shareholding Ministers, in advance, of any transaction that does not require approval or consultation but that falls within the scope of the 'no surprises' policy.

Compensation from the Crown

AsureQuality reserves the right, under Section 7 of the Act, to seek compensation from the Crown for the necessity to provide any service where AsureQuality is constrained from acting in a normal commercial manner. There are currently no requests for compensation from the Crown proposed by AsureQuality under Section 7 of the Act.

Commercial Value of the Crown's Investment

Section 14 of the Act specifies that State-Owned Enterprises must include a current commercial valuation in its SCI that reflects the value of the Crown's investment in the company.

AsureQuality undertakes a valuation every year to estimate a current commercial valuation.

As at 30 June 2024 the Board's estimate of the commercial valuation of the Crown's investment in AsureQuality is \$197 million. Key points about the manner in which this value was assessed are:

- The valuation was calculated as at 30 June 2024.
- The discounted cash flow (DCF) methodology was used to calculate a net present value (NPV) of projected future cash flows of AsureQuality, including all subsidiaries, on an after tax basis.
- The DCF/NPV was based on the nominal (i.e. not inflation adjusted) future cash flows set out in AsureQuality's 3 year business plan, with forward projections made for a total of five years.
- A discount rate of 9.0% was assumed.
- The current commercial value of the Crown's investment of \$197 million (often referred to as the equity value) was calculated by taking the enterprise value of \$224 million and deducting net debt of \$27 million.

Other material factors that are relevant to the determination of this valuation are:

- The valuation was based on future projections.
- The projections used in the valuation did not include new business opportunities identified by AsureQuality, where cash flows have a high degree of uncertainty.

Appendix 1: Performance Targets

Financial Performance

The financial performance targets are accounting based measures of operating performance and financial resources.

Key ratios

The key ratios are targets for operating performance and financial measures expressed in relative rather than absolute terms. This allows for easier comparison over time or with other businesses. A description of each ratio and the way it is calculated is shown below.

The Revenue Growth measures the change in revenue. Calculation: Current year's Revenue divided by Previous year's Revenue. The EBITDA Growth measures the change in EBITDA. Calculation: Current year's EBITDA divided by previous year's EBITDA

The Total Shareholder Return is the performance from an investor perspective incorporating dividends and investment growth. Calculation: (Change in commercial valuation plus dividends paid less equity injected) divided by beginning commercial valuation.

The Dividend Yield is the cash return to the shareholder. Calculation: Dividends paid divided by average commercial valuation.

The Capital Replacement measures capital investment relative to maintenance investment levels. Calculation: Capital expenditure divided by Depreciation and amortisation expense.

The Return on Equity indicates the payback on the funds the shareholder has invested in the company. Calculation: Net profit after tax divided by average equity.

The Return on Capital demonstrates the efficiency and profitability of a company's capital from both debt and equity sources. Calculation: EBIT adjusted for IFRS fair value movements divided by Average capital employed.

The Operating Margin indicates the level of profitability of the business. Calculation: EBITDA divided by Revenue.

The Gearing Ratio is a measure of financial leverage and expresses the level of funds contributed by debt holders as a percentage of the total investment in the business. Calculation: Net debt divided by Net debt plus Equity.

The Interest Cover is the number of times that earnings can cover interest. Calculation: EBITDAF divided by Interest paid. The Debt to EBITDA measures the size of debt relative to earnings. Calculation: Net debt divided by EBITDA.

Non-Financial Performance

AsureQuality is a provider of what can be generally described as conformity assessment services. The non-financial performance measures aim to measure factors which are integral to the successful delivery of these services in addition to the achievement of financial performance measures.

The Staff Turnover rate measures the percentage of total staff that leave the business over a 12 month period.

The Audit Failure measures are an indication of the level of compliance with the various standards that are applicable to AsureQuality. The Total Injury Frequency Rate is a measure of staff health and safety.

Appendix 2: Subsidiaries And Associated Companies

The following provisions will apply to any subsidiary or associated company that AsureQuality has interests in. AsureQuality will ensure at all times that:

- Control of the affairs of every wholly owned subsidiary of AsureQuality is exercised by a majority of the directors appointed by AsureQuality;
- A majority of the directors of every subsidiary of AsureQuality are persons who are also directors or employees of AsureQuality or who have been approved by Shareholding Ministers for appointment as directors of the subsidiary; and
- Without the prior consent of Shareholding Ministers, neither AsureQuality or any subsidiary of AsureQuality shall sell or otherwise dispose of, whether by a single transaction or by any series of transactions and whether by a sale of assets or shares, the whole or any substantial part of the business or undertaking of AsureQuality and its subsidiaries (taken as a whole).

Should AsureQuality or its subsidiaries hold 20% or more of the shares in any company or other body corporate (not being a subsidiary of AsureQuality), they will not sell or dispose of any shares in that company without first giving written notice to Shareholding Ministers of the intended disposal.

Note:

The terms "share", "Shareholding Ministers", and "subsidiary" have the same meaning as in Section 2 of the State-Owned Enterprises Act.



Helping Aotearoa shape a better food world



AsureQuality Limited

Level 2, 2a Pacific Rise, Mt Wellington 1060
Private Bag 14 946, Panmure, Auckland 1741, New Zealand

Telephone: +64 9 573 8000

asurequality.com