



MODERN
SLAVERY
STATEMENT

FY 2020/2021



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About This Statement

This is the Lucas Group's second Statement made under the Australian Modern Slavery Act 2018. This statement covers AJ Lucas Group Limited (ACN 060 309 104) and its Relevant Subsidiaries, as listed below (together referred to as "Lucas"), for the financial year ending 30 June 2021. It has been approved by the AJ Lucas Group Limited Board of Directors as the parent entity of all Relevant Subsidiaries, in compliance with the Modern Slavery Act 2018 (Cth) on 20/12/2021. The following is a list of subsidiaries ("Relevant Subsidiaries") covered by the statement:

1. AJ Lucas Operations Pty Ltd
2. Lucas Engineering & Construction Pty Ltd
3. Lucas Shared Services Pty Ltd
4. Lucas Drilling Pty Ltd
5. Lucas Contract Drilling Pty Ltd
6. Jaceco Drilling Pty Ltd
7. Geosearch Drilling Services Pty Ltd
8. Mitchell Drilling Corporates Pty Ltd
9. McDermott Drilling Pty Ltd

Introduction

AJ Lucas Group Limited does not accept any form of modern slavery in its business operations or supply chain, and is generally opposed to all forms of modern slavery. Modern slavery is a term used to describe situations where coercion, threats or deception are used to seriously exploit victims and undermine or deprive them of their freedom, and includes:

- a) Slavery
- b) Servitude
- c) Forced marriage
- d) Forced labour
- e) Debt bondage
- f) Deceptive recruiting for labour or services
- g) Worst forms of child labour (situations where children are subjected to slavery or similar practices, or engaged in hazardous work)

This is AJ Lucas's second published Modern Slavery Statement in accordance to the requirements of the *Modern Slavery Act 2018 (Cth)* and sets out the steps we have taken to assess and manage the risk of modern slavery in our operations and supply chains.

FY21 Highlights

We finalised and adopted a 3-year Modern Slavery Strategy for FY20-FY22 and in accordance with that strategy we continued to:

Increased our understanding of modern slavery risk

- We rolled out training to all Australian based employees of the Group, and incorporated it into our new employee onboarding process
- We continued to identify and assess modern slavery risks within our supply chain

Developed policies and processes

- We continued to review of existing policies and processes to include areas of labour and human rights
- We identified potential for enhancements in our management of Modern Slavery Risk which requires new policies and procedures that will be developed in FY22
- We continued development of our Supplier Code of Conduct; with expectations of how our suppliers should conduct themselves
- We developed revised procurements terms and conditions for incorporation in future supplier contracts and purchase order terms and condition

Our Business and Supply Chains

Our Business

Lucas currently focuses on drilling services to the Australian eastern seaboard coal mining industry by providing drilling services for degassing coal mines and exploration. We are a leading provider of exploration, production and directional drilling services to some of the world's largest miners. We also have a presence in the United Kingdom, predominantly through our investment in Cuadrilla Resources Holdings Limited, a UK domiciled Oil & Gas exploration entity.

We provide these services utilising a workforce of employees and goods and services obtained from contractors and suppliers. We have identified parts of our supply chains that could indirectly contribute to modern slavery practices through manufacturers, repairers, resellers, and could also include indirect supplies in the supply chain such as rare earth metals in electronic equipment and manufacturing of garments in our PPE.

Where We Are

We are headquartered in Brisbane, Australia and have a strong presence across eastern Australia. Our Drilling division is operated out of Brisbane head office with regional facilities strategically located near our key customers operations in Queensland and New South Wales. Our Australian operations, including head office staff, number approximately 300 employees which fluctuates with the level of drilling work. We also have investment in exploration licenses in the UK.

Our Suppliers

 >\$70m

 500 suppliers

 ~95%

In 21, we spent over AUD\$50M on goods and services from approximately 500 contractors and suppliers, mostly located in Australia. Our commercial team aims to develop and strengthen relationships with customers, contractors and suppliers who are committed to implementing actions against modern slavery. Each of our contractors and suppliers have their own supply chain and we recognize that each level in the supply chain has a responsibility to ensure compliance with all applicable laws, regulations and respect for human rights.

We procure goods and services from a wide range of categories including:

- Travel and accommodation services
- Energy and utilities
- Fixed plant
- Drilling equipment and infrastructure
- Cleaning, security and catering services
- Commodities including tools
- Electronics and minor electrical equipment
- Personal protective equipment (PPE) and clothing
- Corporate and advisory services

We source these goods and services from suppliers via standards terms and conditions on our Purchase Orders and multiyear, large value fixed term contracts. Our procurement team is a centre led model and is primarily driven by demands of our customers.

Our Modern Slavery Approach

In FY21 the Board of AJ Lucas Group Limited reviewed and approved a Modern Slavery Strategy. In accordance with the strategy, we continued to refine our risk assessment and mitigation strategies.

Risk Assessment

Given the prevalence of modern slavery globally, Lucas acknowledges that modern slavery practices may be present in its supply chain.

We have used the following risk factors to aid with our Modern Slavery risk assessment:

- Country of operation
- Category of service/goods
- Materiality (*company spend*)

Below are areas of risks that we have identified in our risk assessment:

Cleaning and catering

Cleaning and catering are high risk due to multiple layers of subcontracting and limited visibility (workforce sometimes only designated for night shifts away from public visibility). This industry employs low skilled, low paid labour with manual work, high prevalence of short term, seasonal and migrant workers. As a result, there is a high possibility that some contractors or suppliers may not identify modern slavery practices.

Electronics

The entire electronics industry is recognized globally from different research sources as a high-risk industry. There have been known cases where minimal regulation governs the extraction and processing of rare earth metals which is integral in the construction of electronic equipment. We recognise that we could be contributing to the modern slavery practices through purchases of computers and mobile phones.

Garments

Garments, including PPE, are often produced in countries with higher risks of modern slavery where government oversight and regulations are less stringent than those in Australia. These supply chains are extremely complex and visibility of the supply chain beyond our immediate suppliers is difficult. There is a high risk that the garments we purchase are manufactured from raw materials such as cotton, may be from areas where workers are subjected to modern slavery.

Rubber products

Rubber is generally produced in countries where there is a higher risk of modern slavery practices, including but not limited to child labour. Our requirement for rubber made equipment such as hoses could unwittingly contribute to general modern slavery practices. Visibility of the supply chain after the manufacturer of these equipment are extremely limited.

Within our operations, we have identified that the areas that have the potential for the highest exposure to modern slavery. As a result, these focus areas have been prioritised for further action in FY20/21:

- Supplier onboarding, including but not limited to self-assessed questionnaire and back-to-back legal clauses pertaining to human rights
- Training for our employees

Due Diligence

We are committed to introducing appropriate due diligence practices as part of engaging suppliers, and to continuously improve the process in due time. These processes include:

1. We have Developed an internal risk matrix to identify high risk suppliers based on:

- a) Geographic risk according to the Global Slavery Index 2018
- b) Sector and industry risk (as outlined in “our approach”)
- c) Entity risks

2. We have Identified, assessed and implemented ongoing mitigations of modern slavery risks

- a) We have developed a methodology for identifying and assessing potential modern slavery risks that could be contributed to by our actions.
- b) We have developed standard clauses which require our suppliers to investigate modern slavery risks in their supply chains and to report any incidents of Modern Slavery. These clauses have been included in new high value supplier contracts.
- c) We have developed standard clauses which will be incorporated in our standard purchase order terms and conditions in FY22

3. We have enhancing our understanding and capabilities

It is crucial that we train our employees to identify and address the risks of modern slavery practices. Training material was developed and rolled out in FY22 to all existing Australian Based employees of Lucas to ensure there was an acceptable level of awareness of Modern Slavery risk and of our policies to mitigate the risk of Modern Slavery across our organisation. This training has been incorporated in the employee onboarding process for all new recruitment in the future.

4. We have a Mechanism for raising grievances

We have a Whistleblower Policy and we will expand this policy in FY22 to specifically mention grievances raised within the context of modern slavery. This policy includes a comprehensive mechanism for employees, contractors and third parties to raise a grievance, which will be expanded to explicitly including potential instances of modern slavery and human rights abuses, suspected or actual illegal activity and breaches of Company policy.

5. We have changed our supplier onboarding

We have changed the way in which we engaged and “onboard” new suppliers, with primary responsibility for this resting with the Central Commercial team. Suppliers are engaged through a standardised the onboarding process which will be enhanced in FY22 to include evaluation of modern slavery risk on all new suppliers engaged.

Our suppliers are expected to commit to complying with:

- a) Lucas Supplier Code of Conduct
- b) Lucas Anti Bribery and Corruption Policy
- c) Lucas Health and Safety Policy

Assessing the Effectiveness of our Actions

We will continually assess the effectiveness of in identifying the risks of modern slavery through:

- a) Reviews of our policies, procedures and training deployment mechanisms
- b) Encouraging discussions and feedback on our policies that are mandated to our suppliers through our regular supplier engagements.

Consultation with Group Entities

We consulted the relevant companies we own or control in the development of this statement. Lucas operates a Drilling operation in Australia with a Group Commercial Manager overseeing the procurement function across AJ Lucas Group Limited and its relevant subsidiaries, reporting to the Group CFO.

This statement is signed by Brett Tredinnick in his role as the Chief Executive Officer and Executive Director of AJ Lucas Group Limited and each of the Relevant subsidiaries.



Brett Tredinnick
Group Chief Executive Officer

Date: 21 December 2021

