



MODERN  
SLAVERY  
STATEMENT

FY 2023



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## About This Statement

This is the Lucas Group's fourth 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 2023. 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 7 December 2023. The following is a list of subsidiaries ("Relevant Subsidiaries") covered by the statement:

1. AJ Lucas Operations Pty Ltd ACN 087 777 633
2. Lucas Engineering & Construction Pty Ltd ACN 159 594 180
3. Lucas Shared Services Pty Ltd ACN 087 777 571
4. Lucas Drilling Pty Ltd ACN 093 489 671
5. Lucas Contract Drilling Pty Ltd ACN 120 778 654
6. Jaceco Drilling Pty Ltd ACN 078 318 859
7. Geosearch Drilling Services Pty Ltd ACN 052 402 481
8. Mitchell Drilling Corporates Pty Ltd ACN 117 060 732
9. McDermott Drilling Pty Ltd ACN 000 819 536

## 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)

It is estimated by the United Nations (UN) and the Walk Free Foundation that in 2021 there were approximately 49.6 million victims of modern slavery around the world.

We recognise that that UN Guiding Principles are the recognised global standards for addressing and preventing human rights harm within business and have referred to these standards and the Commonwealth Modern Slavery Act 2018 standards in developing our policies and collating this statement.

This is AJ Lucas's fourth 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.

## FY23 Highlights

During the year, we continued to:

### Increase our understanding of modern slavery risk

- 100% of our 346 Australian based employees (as at 30 June 2023) of the Group have completed training on Modern Slavery Risks. All new employees will complete training as part of our onboarding process.
- We continued to map out and assess modern slavery risks within our supply chain and have carried out further investigations to understand our tier 1 (direct) suppliers and gain visibility into their supply chains.
- We continue to strengthen our supplier onboarding process, including the assessment and approval process of new suppliers.

### Developed policies and processes

- We further developed our Supplier Risk Matrix to incorporate our learnings following tier 1 supplier investigations.
- We have developed our Supplier Questionnaire process to further assist us in our engagement with Tier 1 suppliers in order to gain visibility of their supply chains. We will continue to develop this process and report on our results in our 2024 Statement.

## 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 our Brisbane head office with regional facilities strategically located in Moranbah near our key customers operations in Queensland. Our Australian operations, including head office staff, number approximately 350 employees which fluctuates with the level of drilling work. We also have investment in exploration licenses in the UK.

## Our Suppliers

 >\$90m

 ~478 suppliers

 ~96%

In FY2023, we spent over AUD\$90M on goods and services from approximately 478 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.

The goods and services we utilise are predominantly for maintaining our plant and the purchasing of consumable items used in our drilling operations. These include 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 standard terms and conditions on our Purchase Orders and multiyear, large value fixed term contracts. All new Suppliers onboarded with Lucas are required to agree to comply with our Supplier Code of Conduct and agree to certain conditions of supply surrounding Modern Slavery and Anti Bribery and Corruption practices.

Our procurement team is a centre led model and is primarily driven by demands of our customers.

## Our Modern Slavery Approach

We have 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 our assessment of the risk we may cause, contribute to or be directly linked to modern slavery practices:

- Geographic risks. Some Countries may have higher risks of modern slavery due to poor governance, weak rule of law, conflict, migration flows and socio-economic factors like poverty.
- Sector and industry risks; some sectors and industries may have higher risks due to their products and processes (extractives, textiles and fashion, fishing, electronics, cleaning and agriculture)
- Products and Services risk due to the way items are produced, provided or used (bricks, cobalt, cotton and rubber) (services such as cleaning)
- Entity risks – some entities may have higher risks due to poor governance structures, history of treating workers poorly, or human rights violations.
- Materiality (Spend) We have used this metric to prioritise our analysis, targeting our highest spend first.

Below are some 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.

We recognise that there is a risk we may inadvertently contribute to modern slavery practices in this area. Our staff and contractors often stay in remote accommodation. The accommodation is usually catered, and rooms are cleaned regularly. One of our key suppliers is required to lodge an annual Modern Slavery statement which we have reviewed. They have identified their exposure within the industry and are demonstrating their continued commitment to improvement. For example, they have switched certain high risk suppliers to ones that are Australian owned and operated where possible, providing more visibility into manufacturing process, labour force and raw material sourcing. They negotiated downstream agreements with Australian manufacturer's of packaged goods and increased their partnership with their hot beverage supplier who takes sustainable, ethical and transparent sourcing practices seriously.

Their vendor program, teams training and human rights policies allows us visibility and gives us confidence that they are taking appropriate actions to reduce the risk of modern slavery in their supply chains.

We will continue to undertake monitoring and further evaluation of these risks and the results of actions taken, and will undertake further investigations of other suppliers.

### **Electronics**

The entire electronics industry is recognized globally from various sources as an industry at high-risk of Modern Slavery practices. There have been reported 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 inadvertently contribute to modern slavery practices through purchases of computers and mobile phones.

We purchase mobile phones and electronic equipment from several suppliers. We have begun the process of understanding our tier 1 suppliers in this industry. One of our largest suppliers in Australia is required to lodge an annual Modern Slavery statement which we have reviewed. As part of this process, they have identified areas of high risk in their supply chains through indirect workers, production of ICT products, branded apparel, marketing merchandise, cleaning and waste management, transport and logistics and through solar panels. They have engaged a third party to complete more in-depth due diligence into their suppliers and to date they have completed Enhanced Due Diligence screening with 1,100 suppliers which represent 95% of their total spend. This process identified 74 high risk alerts for sustainability issues for 32 active suppliers. No active suppliers had high risk alerts relating to labour practices. These high-risk suppliers were required to undergo further due diligence in accordance with their Supplier Governance Framework. The Supplier acknowledges that from time to time there are allegations raised publicly about forced labour in their supply chains. When these instances occur, they engage with their individual suppliers to ensure worker's rights are being respected. Depending on the outcome further actions may be undertaken such as a site audit or worker voice survey.

Third party visits with tier 2 suppliers (SIM card manufacturers) and tier 3 suppliers who manufacture mobile phone cases in China and Taiwan were undertaken. In both cases critical findings were identified, Corrective Action Plans were agreed with suppliers and improvements have been documented in follow up audits. The supplier will continue to monitor in line with the Corrective Action Plans.

As this industry has been identified as high risk, we are currently conducting further investigations in this space and will report further in 2024 reporting.

### **Garments**

Garments, including Personal Protective Equipment ("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. We recognise that this causes a risk where we may inadvertently contribute to Modern Slavery. There is a risk that the garments we purchase are manufactured from raw materials, such as cotton, that are from areas where workers are subjected to modern slavery.

Our preferred PPE supplier is an Australian company trading in Australia and New Zealand. They published their first annual Modern Slavery Statement in 2022 and have identified potential high risks in their supply chain due to their manufacture and distribution of apparel and footwear and requirement of the use of agricultural commodities such as cotton. They acknowledged

that during covid they were unable to travel internationally to conduct physical audits on their production factories and have implemented SMETA (Sedex Members Ethical Trade Audit) which is an ethical audit methodology.

The Supplier has partnered with amfori BSCI who look to continuously improve social performance of suppliers and enhance working standards based on the International Labour Organisation and Universal Declaration of Human Rights. They conduct regular announced and unannounced audits of the Supplier's factories. Audits have reported that pay and working conditions are above the requirements by law, and there have been no breaches in the Modern Slavery protocols or safety policies.

### **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 inadvertently contribute to modern slavery practices.

We engage multiple suppliers to source hosing requirements for our business. Many of these suppliers form part of a global industrial franchise while others are small local businesses that do not have websites. Whilst we have begun our investigations into understanding the operations of these first-tier suppliers, we intend to undertake further investigations into the supply chains and practices of these suppliers, including direct engagement.

Due to the high-risk nature identified in manufacturing these products, this is an area which will be focused on during 2023/2024.

### **Extractions**

Many of our clients are large global companies who are involved in the extraction, production and processing of minerals and metals and energy products for sale. They mine and benefit from minerals across a range of commodities (including, coal, copper, cobalt, nickel, zinc, lead and ferroalloys) across many countries. Many of which have been identified as high risk by the Walk Free 2023, Global Slavery Index 2023. (Available from: <https://www.walkfree.org/global-slavery-index/>).

As part of our commitment to understand how we may contribute to Modern Slavery through our operations, we are dedicated to understanding our clients. Our contracts with our major clients contain clauses requiring mutual acknowledgement of the risks of Modern Slavery and affirm the commitment of both parties to minimising and mitigating those risks.

We have conducted desktop analysis audits of our clients to understand their commitment to Modern Slavery and the works they are undertaking to reduce risks in their supply chains.

### **Due Diligence**

We are committed to continuously improve our due diligence practices and work with our clients and suppliers over time. We recognise that this process will be ongoing and we have allocated additional resources within our commercial team to meet this commitment.

During the last financial year, we have further mapped out our understanding of our Tier 1 Suppliers, both within Australia and globally. This process included desktop analysis, obtaining information from third-party sources including authorities, international organisations and civil society. This process has contributed to strengthening our risk matrix in identifying those high-risk suppliers we further need to engage with.

Next year we will be focusing on our supplier engagement and questionnaires to further this process.

#### **1. 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. All new suppliers are required to agree to these clauses as a condition of the onboarding process. These require at a minimum acknowledgement of Modern Slavery risk, commitment to minimising and mitigating such risks, and reporting obligation in the event risks are realised.
- c) We have developed standard clauses which are incorporated in our high value supplier contracts.
- d) As a condition of our supplier approval and onboarding process, all prospective suppliers are required to agree to our Supplier Code of Conduct ("SCOC"). The SCOC details our expectations of suppliers and contractors in the areas of ethical business practices; labour and human rights; and Safety, Health, Security, Environment and Community. The SCOC is available on our website.

- e) All of our Contracts with our client's contain standard clauses which require the client to, at a minimum, acknowledge their Modern Slavery risk, commit to minimising and mitigating such risks and reporting obligation in the event risks are realised.

## **2. We have enhanced our understanding and capabilities**

It is crucial that we train our employees to identify and address the risks of modern slavery practices. As reported in our previous Modern Slavery Statement, training material was and rolled out 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. To date 100% of our employees have undergone Modern Slavery Risk training.

## **3. We have a Mechanism for raising grievances**

We have a Whistleblower Policy. 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.

## **Assessing the Effectiveness of our Actions**

We will continually assess our effectiveness of identifying modern slavery risks 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.
- c) Continuing to review our Supplier Risk Assessment annually for changes.
- d) Tracking actions we have undertaken to measure their impact. For example, Supplier Questionnaire responses/ outcomes and working with suppliers to monitor performance in relation to any remedial corrective action plans.

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 Marcin Swierkowski in his role as the Chief Executive Officer of AJ Lucas Group Limited and each of the Relevant subsidiaries.

A handwritten signature in black ink, appearing to read "M. Swierkowski".

Marcin Swierkowski  
**Group Chief Executive Officer**

Date: 13 December 2023



Lucas Drilling Pty Ltd  
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