

# Modern Slavery & Human Trafficking Statement 2022-23

**March 2023**

**This statement sets out the steps that the Financial Conduct Authority (FCA) has taken to get assurance that slavery and human trafficking are not taking place in its supply chains and its own business.**

## Our role

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Financial markets must be honest, fair and effective so consumers get a fair deal.

We work to ensure that these markets work well for individuals, for businesses and the economy as a whole.

We do this by:

- regulating the conduct of around 50,000 businesses
- prudentially supervising 48,000 firms
- setting specific standards for around 18,000 firms

For more information about [what we do and how we do it](#), please see our website.

## Modern slavery

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We will not tolerate slavery or human trafficking in our business or supply chains. We are committed to improving our policies and practices to play our part in fighting slavery and human trafficking, and protecting human rights.

Modern slavery is a term used to describe the crimes of holding a person in a position of slavery, servitude, forced or compulsory labour, or human trafficking. These crimes exist across the world and can occur in any sector, including in public sector supply chains. Modern slavery is a ruthless way of maximising profit and driving down costs with little or no regard for the terrible effect it has on its victims.

We recognise the importance of identifying and eradicating slavery. It is not acceptable for anyone to profit, however indirectly, from exploitation and abuse. The primary risk is harm to the victims of these crimes. We also recognise the severe negative effect on public confidence, if incidents of slavery were identified within our supply chain or if we did not address the risks we outline in this statement.

## Organisational structure and supply chains

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### Group structure

The FCA is a company limited by guarantee. We have one wholly owned subsidiary company, the Payment Systems Regulator Limited (the PSR) which is a company limited by shares. The PSR is the economic regulator for the payment systems industry in the UK.

## Supply chains

We buy a wide range of goods and services and engage directly with around 850 suppliers.

Over 90% of our direct suppliers are registered in the UK but many of their operations and supply chains are global. Some suppliers have complex supply chains with multiple tiers of sub-suppliers; we currently have little visibility over the lowest tiers of our supply chain.

We are taking a targeted approach to this, starting with industries where slavery is most prevalent in higher tiers of the supply chain. We are also prioritising steps to gain greater supply chain visibility where the risks may be highest but are deeper in the supply chain.

## Policies

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### Internal policies

We are a Living Wage Employer and aim to provide a rewarding working environment in which people are valued and respected. We have a strong commitment to diversity, equity and inclusion and look after the wellbeing of our people, ensuring that they are safe and that we care for them appropriately.

Good corporate citizenship and corporate responsibility are important parts of our identity, as a public body, an employer and a regulator. We set out the ethical standards we expect of our staff in a number of policies, including our Conflict of Interests Policy, published in our [Employee Handbook](#), and our [Ethical Procurement Policy](#).

For our own operations, our policies and procedures aim to ensure that we create a safe and inclusive working environment for our staff. Our [Employee Handbook](#) and internal intranet contains policies and procedures including:

- whistleblowing
- bullying and harassment
- corporate responsibility
- diversity, equity and inclusion
- our approach to recruitment

### Supply chain policies

We recognise our responsibility to ensure that our suppliers have fair and ethical labour practices. Our annually updated [Supplier Code of Conduct](#) sets out the wide range of expectations that we have of our suppliers. This includes those on human rights and employment laws, including compliance with the provisions of the [Modern Slavery Act 2015 \(MSA 2015\)](#), ethical behaviour and respectful treatment.

We will continue to review these policies, updating as appropriate.

## Due diligence

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### Procurement

We are a 'Contracting Authority' under the Public Contracts Regulations 2015 (PCR 2015).

When sourcing contracts, we require prospective suppliers to confirm whether they are a relevant organisation under section 54 of MSA 2015 and, if so, whether they are compliant with the annual reporting requirements of section 54.

Depending on the nature of the goods or services being procured, we incorporate questions about modern slavery into our supplier selection process. In certain circumstances, we may conduct an audit of a supplier's premises or operations as part of our procurement process. Where appropriate, we will consider modern slavery as part of such an audit.

Over the next 12 months, we will continue to review our modern slavery due diligence activities to assess legal compliance on all procurements and assess and manage risk for suppliers in higher-risk categories and/or geographies.

### Ongoing management of suppliers

Under our Supplier Management Framework, we segment our suppliers based on their relative importance. This process includes, among other factors, an assessment of the potential exposure to modern slavery in a supply chain.

This segmentation categorises suppliers into 3 tiers, with the effort put into managing suppliers decided by the tier they are in. For those in the top 2 tiers (our key suppliers), we request an annual attestation in which the supplier confirms adherence, where appropriate, with the reporting requirements of section 54 of MSA 2015.

In some of our technology categories, we recognise that the risk of modern slavery can lie deep in the supply chain. As part of our Supplier Management Programme, we continue to work with key suppliers to understand how they manage modern slavery risk in their supply chains.

### Terms and conditions

We use our own standard terms and conditions wherever possible. These include provisions that not only require suppliers to comply with all applicable laws, statutes, regulations and codes in force relating to slavery and human trafficking, but also align with Government guidance on modern slavery requirements and policies.

We are currently reviewing our standard terms and conditions. We will look to enhance our modern slavery contractual clauses further as part of this review.

For lower value, lower risk procurements, we use our Terms of Purchase. These include a warranty that the relevant supplier's goods or services will comply with all statutory or similar requirements.

For some of our larger IT procurements, we use terms and conditions based on the Crown Commercial Services (CCS) Terms and Conditions, which are amended to reflect our specific requirements, and nature of the service provided. They require suppliers to comply with all applicable laws when providing their goods or services. These terms and conditions also require suppliers to ensure that all sub-contracts have provisions allowing the relevant supplier the right to terminate the sub-contract if the sub-contractor fails to comply with legal obligations in the fields of environmental, social or labour law.

Where standard terms and conditions are not used, our Procurement Team negotiates terms and conditions, with advice from our in-house legal team.

## Risk assessment and management

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Due to the nature of our business, we consider the inherent risk of modern slavery and human trafficking occurring in our business to be low. Nonetheless we take our responsibility to identify and effectively respond to any incidents of modern slavery and human trafficking very seriously.

We also recognise that there are some higher risk categories and geographies in our supply chain. We will continue to monitor any changes in the inherent risk levels of the goods and services which we procure over the next 12 months, in line with any updates to UK Government guidance.

## Training on modern slavery and trafficking

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We recognise that those responsible for our procurement process and managing our suppliers must be trained to understand how to identify and respond to suspected incidents of modern slavery and human trafficking.

We held a training session this year for Procurement and Supplier Management, covering:

- MSA 2015, including proposed changes
- Procurement Policy Note 05/19: Tackling Modern Slavery in Government Supply Chains
- categories with inherently high modern slavery risk

Another course is scheduled for 2023-24 for those who manage suppliers and contracts in higher-risk categories. We intend to offer this training annually to keep key personnel up to date. This replaces our original plan to develop an eLearning offer, as we consider the interactive nature of the session to bring more value than the more static eLearning approach.

## Key performance indicators (KPIs) to measure effectiveness of steps taken

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### Due diligence

- the percentage of procurements in higher-risk categories where we have undertaken enhanced due diligence activity around slavery and human trafficking

No procurements in high-risk categories were undertaken in the year.

- the percentage of key suppliers that have published a statement, compliant with section 54 of MSA 2015

Key suppliers	Bound by s.54	% of those bound that have published a statement pursuant to s.54
26	19	100%

### Training

- the percentage of individuals involved in procurement and management of higher-risk categories that have completed the modern slavery eLearning course in the past 12 months. As mentioned above, we have decided not to proceed with an eLearning offer. This metric has been amended and will be reported in next year's statement:
  - the percentage of individuals involved in procurement and management of higher-risk categories that have completed the modern slavery course in the past 12 months

## When potential victims are identified

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In the event of victims of modern slavery being identified in the provision of an FCA contract, we will:

- notify the appropriate law enforcement agencies
- work openly and proactively with suppliers to resolve issues and change working practices
- consider terminating the contract only as a last resort

We are making this statement on a voluntary basis in the form set out in section 54 of MSA 2015. This statement was approved by the Board of Directors of the FCA on 25 May 2023 and has been signed by Nikhil Rathi on behalf of the Board of Directors.



**Nikhil Rathi**

**Chief Executive, the Financial Conduct Authority**

