

Modern Slavery and Human Trafficking Statement for the year ending 31 March 2020

March 2020

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

The FCA is the conduct regulator of nearly 60,000 financial services businesses and financial markets in the UK and the prudential supervisor of around 49,000 of those businesses. We aim to make financial markets work well - for individuals, for business and for the economy as a whole. For more information about our mission and approach see our [website](#).

The FCA will not tolerate slavery or human trafficking in its business or supply chains and we are committed to continually improving our policies and practices to play our part in fighting against slavery and human trafficking, and protecting human rights. We aim to provide a rewarding working environment in which people are valued and respected. We are a Living Wage Employer. We also have a strong commitment to diversity and inclusion and look after the wellbeing of our people, ensuring that they are safe and well and appropriately cared for.

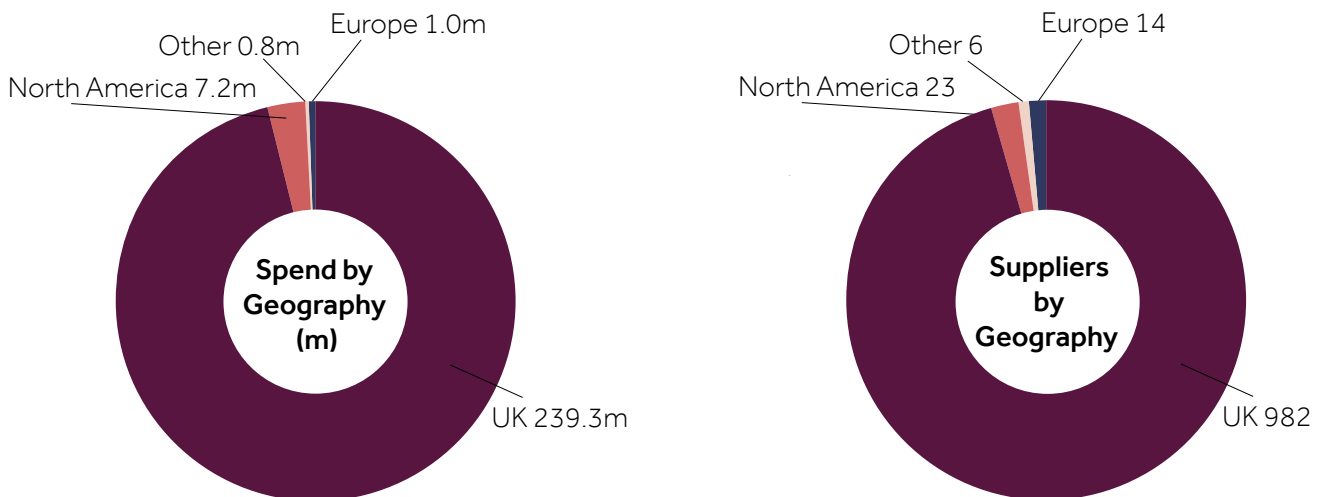
Organisational structure and supply chains

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 approximately 1,000 suppliers. Almost half our current supplier spending relates to IT contracts. The majority of suppliers with whom we contract directly are UK companies:



Of those direct suppliers located outside the UK, none is based in higher risk countries (Source: Global Slavery Index).

Policies

Internal policies

Good corporate citizenship and corporate responsibility are important parts of our identity, both as an employer and as a regulator. We set out the ethical standards we expect of our staff in our published [Conflicts of Interest Policy](#) and our [Ethical Procurement Policy](#).

With regard to the FCA's own operations, our policies and procedures aim to ensure that we create a safe and inclusive working environment for our staff. Our [Employee Handbook](#) contains policies on 'Equal Opportunities and Respect at Work', 'Corporate Responsibility and Diversity and Inclusion', 'Trans Inclusion', and protecting staff's 'Health and Safety'. It also contains several policies aimed at ensuring employee wellbeing, including the provision of support available to staff in relation to incidents of stress and domestic abuse. We also have an internal guide on 'Applying our Public Sector Equality Duty in our Regulatory Work'.

Our Employee Handbook contains a Grievance Procedure, a Bullying and Harassment Policy, an Equality Complaints Procedure and a Whistleblowing Policy, each aimed at giving our staff a platform to raise concerns about any wrongdoing or poor working practices. The Whistleblowing Policy encourages staff to raise concerns about suspected wrongdoing (such as any criminal offence or failure to comply with a legal obligation) as soon as possible. It also provides contact details for [Public Concern at Work](#) for staff who want independent advice about whistleblowing.

Supply chain policies

We recognise our responsibility to ensure that our suppliers have fair and ethical labour practices.

In 2015, we published the FCA [Supplier Environmental, Diversity and Inclusion and Social Policy Statement](#) (the Statement). This makes clear that we expect all our suppliers to comply with the Statement and to ensure that working conditions in their operations meet (or exceed) international labour standards.

In November 2019, we published our first [Supplier Code of Conduct](#). This sets out a wide range of expectations that we have of our suppliers including those relating to human rights and employment laws, including compliance with the provisions of the Modern Slavery Act 2015, ethical behaviour and respectful treatment. The new Code is brought to the attention of all suppliers when we notify them of the raising of a Purchase Order for them to provide goods or services to us.

Over the course of the next year, we shall be reviewing these policies and updating as appropriate.

Due diligence

Procurement

We are a 'Contracting Authority' under the Public Contracts Regulations 2015 (PCR 2015). This means that, since 1 January 2020, all contracts for relevant supplies and services over £227,196 (including VAT) and £5,679,902 (including VAT) for works are subject to the requirements of PCR 2015 and EU Procurement Directives.

When sourcing contracts above the threshold, we require prospective suppliers to confirm whether they are a relevant organisation under section 54 of the Modern Slavery Act 2015 and, if so, whether they are compliant with the annual reporting requirements imposed by section 54.

Depending on the nature of the goods or services being procured, we incorporate questions around Corporate Responsibility into our supplier selection process. Prospective suppliers' responses are one of the factors that we use to determine which supplier is engaged.

When suppliers respond to tenders, they are also required to confirm that they comply with the Statement described above. In certain circumstances, we may conduct an audit of a supplier's premises or operations as part of our procurement process.

Over the next 12 months, we will be reviewing our modern slavery due diligence activities so that we not only assess legal compliance on all procurements, but also assess and manage risk for suppliers in higher-risk categories and/or geographies.

Ongoing management of suppliers

During the last 12 months we have designed, developed and started the implementation of a new framework for managing our suppliers. Deployment has begun with our IT suppliers – the majority of our key suppliers are in this category; deployment elsewhere is planned for the next 12 months.

Our new approach to supplier management includes a revised way of determining the relative importance of new and existing suppliers to the FCA. This supplier segmentation process includes, amongst other factors, an assessment of the potential exposure to Modern Slavery in a supply chain.

This segmentation categorises suppliers into one of three tiers, with the effort put into managing suppliers being determined by the tier they are in. Segmentation is initially completed during a Procurement exercise and will, for Tier 1 and Tier 2 suppliers (our key suppliers) be reviewed at least annually during the life of a contract.

Our new approach to the management of key suppliers to the FCA includes the need for strengthened evidence that risks, including those associated with Modern Slavery, are being properly managed. We have, in the last year, introduced a new supplier risk management process and additional assurance measures which complement our existing rights of audit contained within contracts.

As well as stronger controls over individual suppliers we have introduced improved governance and reporting across the supplier management programme to ensure it delivers, among other things, a reduction in risk in our supply chain. The progress we make in our supplier management programme is reported to the FCA's Executive Operations Committee.

Over the next 12 months, as for procurement above, we will be reviewing our ongoing modern slavery due diligence activities so that we not only assess legal compliance but also assess and ensure the appropriate management of risk for suppliers in higher risk categories and/or geographies. For our key suppliers, we are reviewing the location of their supply chains with a view to establishing additional assurance interventions if appropriate. We are also undertaking a category risk assessment to prioritise risk based assurance interventions.

Terms and conditions

We use our own standard terms and conditions wherever possible. Our General Terms and Conditions include a warranty that the relevant supplier's goods or services will comply with all statutory or similar requirements. The standard terms and conditions we use for the supply of non-IT related goods and services include a provision requiring suppliers to comply with all applicable laws, statutes, regulations and codes in force relating to slavery and human trafficking including, but not limited to, the Modern Slavery Act 2015.

For our larger IT procurements, we use terms and conditions based on the Crown Commercial Services (CCS) Model Service Contract. This contract requires suppliers to comply with all applicable laws when providing their goods or services. The contract also requires suppliers to ensure that all sub-contracts contain 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 such standard terms and conditions are not used or are negotiated, our Procurement Team negotiates terms and conditions, with advice from our in-house legal team.

The provisions described above ensure that if a supplier is found to be in breach of applicable laws, we will support and remediate or we can choose to terminate our arrangement with that supplier.

Risk assessment and management

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 be looking in more detail at these over the next 12 months.

Key Performance Indicators (KPIs) to measure effectiveness of steps being taken

Over the next 12 months, we are planning to start measuring and reporting on KPIs relating to training (see below) and our due diligence activities (see above).

Training on modern slavery and trafficking

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.

Key Procurement personnel have undertaken ethical procurement training offered by the Chartered Institute of Procurement and Supply. One of the issues covered by this training was awareness and understanding of the risks of modern slavery and human trafficking in supply chains.

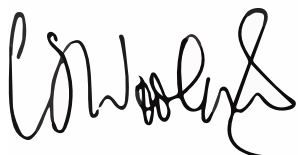
Over the next 12 months, we will establish an annual briefing, based on Civil Service publications, for all members of Procurement as well as those responsible for managing key suppliers and suppliers in higher risk categories and/or geographies.

When potential victims are identified

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

- Notify the appropriate law enforcement agency/ies.
- 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 the Modern Slavery Act 2015. This statement was approved by the Board of Directors of the FCA on 10 June 2020 and has been signed by Chris Woolard on behalf of the Board of Directors.



Chris Woolard
Interim Chief Executive, the Financial Conduct Authority

