

# **Modern Slavery and Human Trafficking Statement for the year ending 31 March 2021**

March 2021

**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.**

**The FCA is the conduct regulator for nearly 60,000 financial services firms and financial markets in the UK and the prudential supervisor for 49,000 firms, setting specific standards for 19,000 firms. 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](#).**

**We will not tolerate slavery or human trafficking in our business or supply chains. 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 that we care for them appropriately.**

## 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 just under 1,000 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, beginning with those categories 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 deeper in the supply chain.

## Policies

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### Internal policies

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 our published [Conflict of Interests Policy](#) 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](#) contains policies on 'Equal Opportunities and Respect at Work', 'Corporate Responsibility and Diversity and Inclusion', 'Trans Inclusion', and protecting staff's 'Health and Safety'. The Employee Handbook also contains several policies aimed at ensuring employee wellbeing, including the provision of support available to them.

Our Employee Handbook also contains a Grievance Procedure, 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 [Protect](#) (formerly Public Concern at Work) for staff who want independent advice about whistleblowing.

We make clear to staff our obligations under the Public Sector Equality Duty and the channels through which we can demonstrate that we are actively considering equality in our regulatory work.

### Supply chain policies

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

In November 2020, we updated our [Supplier Code of Conduct](#). This sets out a wide range of expectations that we have of our suppliers, including those on human rights and employment laws, including compliance with the provisions of the Modern Slavery Act 2015, ethical behaviour and respectful treatment.

We will continue to review these policies on an annual basis, updating as appropriate.

## Due diligence

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### Procurement

We are a 'Contracting Authority' under the Public Contracts Regulations 2015 (PCR 2015). Any procurements that were taken to market before 31 December 2020 were subject to EU and UK procurement law and guidance. Those after 31 December 2020 are subject to UK procurement law and guidance.

When sourcing contracts, 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 of section 54.

Depending on the nature of the goods or services being procured, we incorporate questions about Corporate Responsibility into our supplier selection process.

Prospective suppliers' responses are one of the factors that we consider when deciding which supplier we use.

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 continue to review our modern slavery due diligence activities to both assess legal compliance on all procurements and also assess and manage risk for suppliers in higher-risk categories and/or geographies.

### **Ongoing management of suppliers**

Under our new approach to supplier management, 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 one of 3 tiers, with the effort put into managing suppliers being decided by the tier they are in. For those in the top 2 tiers, we have implemented an attestation process in which the supplier confirms that adherence, as appropriate, to the reporting requirements of Modern Slavery Act 2015 (MSA 2015). A similar attestation process will be rolled out to our third-tier suppliers with multi-year contracts over the next year.

Having completed our category-level risk assessment, we have identified those suppliers in the high-risk categories and are developing an assessment methodology to provide assurance about those suppliers' management of modern slavery risk. We intend to implement this within the next 12 months.

For some of our technology categories, we recognise that the risk of modern slavery tends to lie deep in the supply chain. As part of our Supplier Management Programme, we are working 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. 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 generally use terms and conditions based on the Crown Commercial Services (CCS) Terms and Conditions, which are amended to reflect the specific requirements of the FCA, and nature of the service provided. These require suppliers to comply with all applicable laws when providing their goods or services. The 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 such standard terms and conditions are not used, our Procurement Team negotiates terms and conditions, with advice from our in-house legal team.

The provisions described above will 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

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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 be monitoring any changes in the inherent risk levels of the categories which we procure over the next 12 months.

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

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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

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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.

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

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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 27 May 2021 and has been signed by Nikhil Rathi on behalf of the Board of Directors.

A handwritten signature in black ink that reads "Nikhil Rathi". The signature is written in a cursive, slightly slanted style.

**Nikhil Rathi**  
**Chief Executive, the Financial Conduct Authority**

