

Modern Slavery & Human Trafficking Statement 2021-22

March 2022

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

Financial markets need to be honest, fair and effective so consumers get a fair deal. We aim to make markets work well for individuals, businesses and the economy as a whole.

We do this by:

- regulating the conduct of around 51,000 businesses
- prudentially supervising 49,000 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

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.

The FCA recognises 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 but the FCA also recognises 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

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

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 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 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](#) contains policies including:

- whistleblowing
- bullying and harassment
- diversity and inclusion
- recruitment and selection

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, including 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 on an annual basis, updating as appropriate.

Due diligence

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 taken to market 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 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 Corporate Responsibility 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.

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 three tiers, with the effort put into managing suppliers decided by the tier they are in. For our key suppliers, ie those in the top two tiers, we request an annual attestation in which the supplier confirms adherence, where appropriate, with the reporting requirements of section 54 of MSA 2015.

We continue to work with the small number of suppliers in higher-risk categories to generate assurance around the management of slavery risk in their operations and supply chains.

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 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, MSA 2015.

This year, we enhanced our standard terms and conditions to align with Government guidance and to be more explicit on Modern Slavery-related requirements and policies, not just requiring compliance to MSA 2015.

We also updated our Terms of Purchase, used for lower value and risk procurements, to reference MSA 2015 explicitly, alongside 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 the specific requirements of the FCA, 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

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

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.

We will hold a training session on proposed changes to MSA 2015 for all members of Procurement as well as those responsible for managing key suppliers and suppliers in higher risk categories and/or geographies in Q2 2022-23.

Over the next 12 months, we are looking to develop an eLearning offer, based on Government training, for all members of Procurement as well as those responsible for managing key suppliers and suppliers in higher risk categories and/or geographies.

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

We have developed a set of KPIs around due diligence and training.

Due Diligence

- the percentage of procurements in higher-risk categories that have undertaken enhanced due diligence activity around slavery and human trafficking
- the percentage of key suppliers that have published a Statement, compliant with section 54 of MSA 2015

Training

- the percentage of individuals involved in procurement and management of higher-risk categories and suppliers that have completed the Modern Slavery eLearning course in the past 12 months
- the percentage of individuals involved in procurement and management of other categories and suppliers that have completed the Modern Slavery eLearning course in the past 24 months

Performance will be reported in future annual Modern Slavery and Human Trafficking Statements.

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 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 26 May 2022 and has been signed by Nikhil Rathi on behalf of the Board of Directors.



Nikhil Rathi

Chief Executive, the Financial Conduct Authority

