

Due Diligence Report 2022

McKinsey & Company, Inc. Norway's account of due diligence pursuant to section 4 of the Norwegian Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act)

June 2023

Preface

This report has been prepared in accordance with section 5 of the Transparency Act and summarizes the approach taken by McKinsey & Company, Inc. Norway ("McKinsey Norway") to identify and assess actual and potential adverse impacts to human rights and decent working conditions in our own operations, supply chain or business partners, and provides

- a general description of McKinsey Norway's business and the company's procedures for handling actual and potential adverse impacts on fundamental human rights and decent working conditions and
- the results of McKinsey Norway's human rights due diligence, including - if relevant - measures that have been or are planned to be implemented in this regard and the results or expected results of such measures.

This report covers the period 1 July 2022 – 31 December 2022.

Due Diligence Report

1 POLICY STATEMENT

We strive to create a work environment that supports, inspires, and respects all colleagues, applicants, clients, and our suppliers and their employees. We are committed to respecting human rights across our entire value chain. We stand against the use of child, forced, or exploited labor, as well as forced or exploitative working conditions. We will not assist clients in such practices in any way in any part of the world.

2 OUR BUSINESS OPERATIONS

2.1 Description of company

McKinsey & Company, Inc. Norway, a corporation organized and existing under the laws of the state of Delaware, United States of America, operates in Norway through a branch entity. McKinsey Norway's direct, sole shareholder is McKinsey & Company, Inc. Scandinavia, and it is an indirect, wholly-owned subsidiary of McKinsey & Company, Inc. (together "McKinsey").

McKinsey is a global management consulting firm with clients across the private, public, and social sectors. We partner with our clients to achieve enduring change in their capabilities and performance.

We operate as a single global partnership. Today our "one firm" approach embodies our values and high standards of ethical conduct and social and environmental responsibility. The firm is owned and governed by our more than 3,000 partners. The range of our work and the depth of our knowledge and capabilities span more than 65 countries and hundreds of industry sectors.

2.2 Description of supply chain and business partners

Globally, our supply chain (defined in the Transparency Act as any party in the chain of suppliers and sub-contractors that supplies or produces goods, services, or other input factors included in an enterprise's delivery of services or production of goods from the raw material stage to a finished product) comprises primarily services using temping agencies and hired-in workers/consultants.

Our business partner relationships (defined in the Transparency Act as any party that supplies goods or services directly to the enterprise, but that is not part of the supply

chain) mainly consist of professional advisory services, travel services and IT services, as well as office supplies and real estate.

During the 2022 calendar year, we engaged a range of suppliers and business partners, 76% of which are based in Norway. The remaining suppliers or business partners were based in predominantly, United States, United Kingdom, Sweden, and Germany. The top four sectors engaged were travel, professional services, real estate, and facilities.

2.3 Human rights policies and procedures

Our [Human Rights Statement](#) affirms our commitment to respecting human rights across our own domestic and foreign business operations as well as our entire value chain. As a firm, we have processes in place to identify, assess, and address potential adverse impacts on human rights that we may have caused, contributed to, or be linked to, whether among our colleagues, in our client work, or in our supply chain or business partner relationships.

We adhere to the principles set forth in the United Nations Global Compact (UNGC), the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights.

Our Code of Professional Conduct defines a set of expectations for the behavior of all firm members and for those working on our behalf.

We expect all suppliers to comply with McKinsey's [Supplier Code of Conduct](#), which sets the standards and values we expect of all our suppliers and is embedded in our standard contract template. Among other things, the Supplier Code prohibits all forms of forced labor, child labor, and human trafficking and requires compliance with all applicable laws regarding discrimination, harassment, and retaliation.

Anyone working for or on behalf of McKinsey has the right to report human rights concerns without fear of retribution. We forbid retaliation of any kind against anyone who reports potential or actual ethical or legal violations. In addition to clearly defined internal channels, we have a global [Got a Concern?](#) helpline that enables colleagues and third parties to raise concerns and grievances relating to any issues, including human rights issues, confidentially and, where legally permissible, anonymously.

We review all complaints and ensure that further inquiries and reviews are handled in accordance with applicable laws.

2.4 Our approach to preventing adverse impacts on human rights and decent working conditions

In our own operations

Our [Human Rights Statement](#) outlines colleagues' right to agree to terms and conditions of employment voluntarily, without coercion, and to freely end their employment with appropriate notice.

Our Workplace Conduct Policy enables reporting of all incidents of discrimination, harassment, or retaliation, regardless of the offender's identity or position, via clearly designated reporting channels. Individuals found responsible for harassment, discrimination, or retaliation will be subject to disciplinary action, up to and including termination of employment. In addition, as mentioned above, colleagues (including temporary and hired-in personnel) may raise concerns through the global [Got a Concern?](#) helpline.

We support our human rights-related policies with regular awareness building and training. New colleagues must adhere to our Code of Professional Conduct and participate in an onboarding session on the firm's values, including inclusion, anti-discrimination, and anti-harassment. Annually, all colleagues must certify compliance with the firm's core policies and complete Professional Standards and Risk training.

As a UNGC participant, we uphold the core principles of the UNGC, including freedom of association and the effective recognition of the right to collective bargaining. We adapt our practices to different locations based on local legislation.

Ongoing risk analysis is the core element of our due diligence process, enabling us to identify potential risks quickly and clearly. We ensure complete, traceable, and long-term documentation of our risk management system and publish an update on our human rights program as part of our annual [ESG Report](#). The Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards.

In our client work

We will not perform client work that supports or enables human rights violations. Our commitment to human rights informs whom we serve and on what topics. As a matter of policy, new clients undergo an onboarding process, overseen by the Firm's risk team and supported by its compliance teams, to ensure robust vetting including in relation to human rights abuses. All work undertaken by the firm, including new and existing clients, undergoes a CITIO risk review in which human rights are embedded in every aspect covering the:

- **Country (of work)**, for example, does the country in question have specific human rights concerns we need to consider?

- **Institution (client)**, for example, has the institution been associated with enabling or engaging in human rights violations in any form?
- **Topic (scope of work)**, for example, does the topic create any risk of human rights impact (that is, impact on vulnerable populations)?
- **Individuals (within the client with whom we'll be working)**, for example, do any of the individuals with whom we would work have an association with human rights concerns?
- **Operational Considerations (consistency with firm policies)**

Should we identify red flags based on initial due diligence, we undertake supplemental due diligence, which may include more in-depth public record research, a review of an entity's policies and procedures, and/or dialogue with the entity to share our concerns and obtain more information.

In our supply chain and business partner relationships

Our supplier and business partner due diligence process supports McKinsey's commitment to the UN Guiding Principles on Business and Human Rights.

McKinsey's global Sustainable Procurement and Responsible Buying Policy outlines our ambition to deliver positive social and environmental impact through our selection, purchase, use, and disposal of products and services, and through the way in which we work with our suppliers and business partners to improve the social and environmental impact of the goods and services they offer.

3 ASSESSMENT OF ACTUAL AND POTENTIAL ADVERSE IMPACTS ON HUMAN RIGHTS AND DECENT WORKING CONDITIONS RELATING TO MCKINSEY NORWAY'S OWN OPERATIONS, SUPPLY CHAIN, AND BUSINESS PARTNERS

3.1 Human rights impact assessment: approach and methodology

In our own operations

During 2022, McKinsey Norway has continued its focus on ensuring decent working conditions for its employees and promoting non-discrimination in employment and gender equality.

In our client work

In 2022, consistent with our ongoing practices, our work for either new or existing clients underwent the CITIO risk review process as set out above. Human rights are embedded in every aspect.

In our supply chain and business partner relationships

Our supplier due diligence process is aligned with the Organisation for Economic Cooperation and Development OECD Due Diligence Guidance for Responsible Business Conduct and is part of a risk-based approach to identify, prevent, mitigate, account for, and support remediation of any adverse impacts on human rights and decent working conditions in our supply chain.

As one component of our due diligence process, during supplier and business partner sourcing and selection stages, the standard request for proposal templates used by our sourcing team includes questions used to screen potential suppliers on practices and policies in areas including environmental sustainability, diversity, and human rights. New suppliers and business partners go through an onboarding process that includes risk-based screening to ensure the suppliers follow applicable laws and meet our standards. This process includes additional questions for suppliers/business partners with a potentially higher risk of adverse impacts on human rights (e.g., child or forced labor) and decent working conditions, based on considerations such as spending level, country risk, and category risk. Our process is to carry out periodic diligence checks to assess changes in a supplier's/business partners circumstances at intervals determined by the entity's risk profile.

In 2022, we strengthened our supplier/business partner due diligence processes by adding a supplementary ESG-specific risk analysis tool, which includes indicators related to human rights and decent working conditions, and launching a collaboration with a third-party supplier assessment platform. The supplier/business partner assessments conducted through this platform require document verification and review by an independent third party against globally recognized standards and frameworks. Moving forward, based on assessment results, McKinsey may request corrective actions from suppliers/business partner to address areas of improvement related to human rights and decent working conditions.

To assess potential risks in our supply chain and business partner relationships specific to our Norwegian operating entity, we reviewed the risks of adverse impacts on human rights and decent working conditions of all suppliers and business partners supporting our Norwegian operating entity onboarded through our standard process. In addition, we conducted a supplementary risk analysis of suppliers and business partners serving our Norwegian operating entity above a \$100,000 USD spend threshold and began inviting certain of these to complete an evidence-based assessment. Based on a review of assessment results scheduled for later in 2023, we may assign corrective actions through the platform and monitor our suppliers'/business partners' progress.

3.2 Outcome of assessment of actual and potential adverse impacts in McKinsey Norway's own operations

In 2022, McKinsey Norway did not identify any actual adverse impacts on fundamental human rights and decent working conditions in its own operations. However, we recognize the risk that adverse impacts of McKinsey Norway's own operations may occur, in the following identified areas: discrimination in employment, gender inequality, data security and privacy, health and safety, or through our client advisory work. As a result, we have taken proactive preventive measures with these areas in focus, as noted in section 4 below.

To the extent that any potential adverse impacts on fundamental human rights were identified in reviewing a new client engagement, McKinsey Norway either declined the engagement or put appropriate restrictions in place to ensure that our work was consistent with our commitments.

3.3 Outcome of assessment of actual and potential adverse impacts in McKinsey Norway's supply chain and business partner relationships

In 2022, McKinsey Norway did not identify any actual adverse impacts on fundamental human rights and decent working conditions in its supply chain or business partner relationships.

We further consider the risks of adverse impacts to be low, owing to:

- The nature of the goods and services which we procure (mostly services, mostly skilled professions).
- The locations from which we procure them (mostly in developed markets).
- Our procurement practices (for example, we agree to reasonable terms and ensure timely payment).
- No grievances or issues were raised through our available grievance channel during 2022.

However, while we believe our risk overall is low, we recognize the risk that adverse impacts in McKinsey Norway's supply chain and business partner relationships may occur in the following non-exhaustive areas: discrimination in employment, gender inequality, and health and safety.

4 MITIGATING ACTIONS AND TRACKING PROGRESS

4.1 Measures to cease, prevent, and mitigate

In our own operations

i. Non-discrimination in employment

We reviewed and updated our Workplace Conduct Policy (formerly titled “Ensuring an Environment Free from Discrimination and Harassment”) and Code of Professional Conduct (both of which, as noted above, establish standards for non-discrimination). We further deepened our internal investigations capabilities by training and certifying approximately 40 additional HR professionals in offices around the world who are responsible for investigations and calibrated consequences for violations of our non-discrimination, anti-harassment, and anti-retaliation policies and standards.

ii. Gender equality and women’s rights

We diligently act to tackle bias across our people processes, aligned with best practices to be consciously inclusive. We have tailored training and professional development programs focused on sponsorship for women and diverse colleagues. These programs focus on skill building, building robust support networks, and providing tailored personal coaching and training. We are committed to equal pay for equal work; and have processes in place to help ensure employment decisions, including compensation matters, are based on legitimate business needs, job requirements, and individual qualifications, without regard for any other factors.

iii. Digital/Data Security and Privacy

In 2022, we improved our data archival and retention programs to enhance our client data and document management policy. We also updated our Acceptable Use of Technology Policy and improved cybersecurity measures and controls. We follow regulatory requirements and best practices to meet our data privacy obligations.

iv. Health and Safety

We routinely engage with affected stakeholders to collaborate on the mitigation of potential risks in this space. We believe that all colleagues should always feel safe and secure. From our offices in metropolitan areas to remote or higher-risk work sites, McKinsey proactively seeks to safeguard the well-being and personal security of colleagues. Our Firm Security Team (FST), staffed by experienced professionals across the globe, partners with our offices and their administration teams, and our Human Resources, Real Estate, Travel, and Technology Teams. Together they build internal resiliency and respond to incidents. Typically, the FST focuses on four contexts: workplaces, travel,

client service, and events. We partner with leading providers in the industry to help ensure that colleagues can get security, medical, and counseling support, regardless of location.

In our client work

Consistent with our ongoing practices, work for either new or existing clients is consistently subject to the CITIO risk review process described above.

Should we identify red flags based on initial due diligence, we undertake supplemental due diligence, which may include more in-depth public record research, a review of an entity's policies and procedures, and/or dialogue with the entity to share our concerns and obtain more information.

In our supply chain

In 2022, we undertook the following preventive measures:

- We deployed a training program for all colleagues on our procurement team. The mandatory training covered information on sustainable procurement fundamentals and expectations of our procurement colleagues related to our Sustainable Procurement and Responsible Buying Policy.
- We updated our [Supplier Code of Conduct](#) and communicated changes to global sourcing colleagues. Key updates included expanding the number of human rights and labor-related issues covered by the Supplier Code, advising suppliers that they must cascade Supplier Code expectations to their own supply chains, and noting that McKinsey may at times request a third-party assessment or audit from a supplier.
- We trained sourcing managers and supplier relationship owners on the supplier assessment platform.
- We established a cross-functional Human Rights Working Group to operationalize our approach to human rights due diligence and management.

In 2022, we undertook the following management and mitigative measures:

- As mentioned above, we strengthened our supplier and business partner due diligence processes by adding a supplementary ESG-specific risk analysis tool and launching a collaboration with a third-party supplier assessment platform. The supplier assessments conducted through this platform require document verification and review by an independent third party against globally recognized standards and frameworks.

- We hosted our first supplier summit, attended by representatives from more than 25 suppliers and business partners, primarily in the travel and hospitality industries, to share our Supplier Code expectations and commitment to the UNGC and explore areas for further collaboration and innovation on sustainability.

4.2 Tracking progress

In our supply chain

To date, approximately 20 suppliers and business partners in our Norwegian operating entity supply chain have been invited to and completed an evidence-based assessment scored by an independent third party. The assessment results are stored in the third-party platform. These assessments included verification of any policy, process, or performance claims related to human rights and decent working condition management systems. Based on a review scheduled later this year, we may assign certain of these suppliers corrective actions. The platform supports corrective action and performance improvement monitoring both at the individual supplier level and at the supplier portfolio level (also including business partners). The results and tracking measurement will be communicated to internal stakeholders and suppliers in several ways, including, where appropriate, the inclusion of assessment results in quarterly business reviews with certain suppliers.

5 PRIORITIES FOR 2023

Sourcing priorities for the next reporting period include:

- Continue rolling out the third-party, evidence-based supplier assessment platform to potentially high-risk and strategic suppliers/business partners;
- Conduct annual Sustainable Procurement and Responsible Buyer Training;
- Host additional supplier sustainability trainings / townhalls;
- Expand the number of suppliers/business partners serving McKinsey Norway that complete an evidence-based supplier assessment; and
- Assign “corrective actions” to any supplier/business partner that completes an assessment that receives a high-risk rating relating to adverse impacts on human rights and decent working conditions.

We remain committed to meeting high standards for upholding human rights and decent working conditions across our operations and supply chain/business partner relationships and expect our colleagues and suppliers to adhere to our human rights-related principles, guidelines, and policies. We will continue to enhance our human rights-related policies and training as we identify particular human rights focus areas as part of our ongoing risk analysis.

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This statement has been approved by the Directors of McKinsey & Company, Inc. Norway, in June 2023.

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