Sustainability

In this chapter, we share our progress toward achieving net-zero climate impact and how we partner with clients to catalyze and accelerate decarbonization globally.

In this chapter

Sustainability at a glance

Coral and schools of fish swimming in Fiji; photographed by Rodolphe Holler for Conservation International.

Creating a more sustainable, inclusive, and growing future for all is the defining issue of our time. Addressing climate change is a crucial part of the equation.

Our sustainability agenda comprises two main priorities. We aspire to be the leading private sector catalyst for decarbonization through our work to help accelerate the transition to net-zero greenhouse gas (GHG) emissions. We are also committed as a firm to achieving net-zero climate impact by 2030, in line with validated, near-term, science-based targets as an important milestone on the pathway toward stabilizing global warming temperatures at 1.5˚C.

Key highlights

Partnered with Alphabet, Meta, Shopify, and Stripe to found Frontier, a new $1+ billion advance market commitment to purchase permanent carbon removal before 2030

Introduced a **global internal carbon fee** on all air travel to accelerate decarbonization and generate funding for carbon reduction efforts

Launched a Global Decarbonization Hub **in Houston to accelerate the energy transition** for our communities and clients, successfully delivering 30+ client engagements, including a roadmap to abate up to 50 mega-tons of carbon over 10 years for a major oil and gas company

Earned a spot on **CDP's Climate Change A List** for our transparency and leadership

Engaged **1,200+ colleagues across our 120 Green Teams** to reduce our environmental footprint globally

$400M+
invested in the past two years toward our $1 billion commitment by 2025 to help our clients tackle the climate crisis

1,600+
sustainability-related client engagements in 2022

3,500+
colleagues spent more than 30% of their time on sustainability topics

97%
renewable electricity toward our goal of 100% by 2025

30%
reduction in absolute Scope 1 and Scope 2 emissions in 2022 (vs. 2019 baseline)

48%
reduction in Scope 3 emissions from travel per colleague in 2022 (vs. 2019 baseline)

Our clients

Our approach

We partner with leaders to accelerate sustainability and growth.

More than 3,000 companies have made net-zero commitments. Faced with the twin imperatives of advancing climate solutions and ensuring growth, some leaders could be tempted into either/or choices.

We believe that the best response to this moment is to create strategies that square the dual needs for growth and a climate transition. That's why we are driving sustainable innovation that unlocks the next horizon of growth. By pursuing net-zero and nature commitments, the private and public sectors can address the climate crisis while ensuring the net-zero transition is affordable, secure, and reliable.

1,600+

sustainability-related client engagements in 2022

We serve all industries—and go where the emissions are.

McKinsey Sustainability partners with clients to decarbonize and seize growth opportunities in the energy transition. We serve emitters because that is where the emissions are, and we are accelerating our goal of helping all industry sectors halve carbon emissions by 2030 and reach net zero by 2050.

We aspire to be the largest force for decarbonization in the private sector and the preeminent partner in achieving impact across key topics: hyperscaling green businesses, driving brown to green decarbonization, carbon markets, nature and biodiversity, and sustainable finance. Our McKinsey Platform for Climate Technologies works to scale a suite of 10 critical technologies ranging from hydrogen and battery storage to alternative proteins and nature-based solutions.

We bring distinctive people and technology to accelerate the net-zero transition.

We are powered by distinctive people and thought leadership. McKinsey Sustainability has grown to more than 3,500 colleagues in just two years, and our work now touches nearly a quarter of our clients. Our research provides leading-edge insights into topics at the top of the CEO agenda, starting with the publication of our carbon abatement curves 15 years ago, continuing with our climate risk and response report in 2020, and our newest research on the global energy transition.

McKinsey-hosted panel on creating a clean, secure, and affordable energy future at COP27, November 2022.

Our key actions in 2022

Convening leaders to catalyze climate action

McKinsey works side by side with leading institutions to convene global partnerships that tackle problems that any one institution alone could not. In 2022, McKinsey launched a new series of global Green Business Building summits with a flagship convening in Stockholm that brought together more than 300 C-suite executives from green tech disruptors, incumbents with ambitious green growth agenda, and sustainability investors.

As the Opening Ceremony Partner for Climate Week NYC, McKinsey led conversations on progress toward net-zero goals amid economic uncertainty.

At COP27 in Egypt, McKinsey Sustainability hosted a series of in-person and live-streamed events that reached more than 100,000 people. These events focused on the practical steps leaders can take to achieve sustainability and growth across key areas such as energy, nature, materials, adaptation, and finance.

Replay these discussions on our website.

Accelerating decarbonization transformations with Microsoft and Catalyst Zero

Microsoft and McKinsey have partnered to create a technological solution that can calculate an organization's carbon footprint and build and execute a robust decarbonization plan, supporting businesses in their energy transitions.

Powered by Microsoft's Cloud for Sustainability, the digital platform uses Microsoft's Sustainability Manager to automate and scale the collection of companies' sustainability-related data and help establish an emissions baseline. Once generated, McKinsey's Catalyst Zero solution provides a holistic gauge of emissions at company, product, and value chain levels, helping leaders create detailed decarbonization plans.

During delivery, the two systems monitor data feedback against the forecasted impact to calculate performance. An ongoing progress report can help to build transparency and stakeholder confidence.

McKinsey and Microsoft's Catalyst Zero solution helps companies build and execute a robust decarbonization plan.

Fueling the Gulf Coast's transition to green technologies

McKinsey's Houston office has been accelerating the net-zero transition by collaborating with the Greater Houston Partnership's Houston Energy Transition Initiative and Center for Houston's Future. Support includes a pro bono study on ways to catalyze the energy transition and a roadmap whitepaper detailing the actions required to see the area deliver on this opportunity.

These partnerships culminated in 2022 with the launch of the Global Decarbonization Hub, a joint effort between McKinsey Sustainability and the Global Energy and Materials Practice to unlock opportunities for the community and our clients.

The hub aims to accelerate the Gulf Coast's transition to green technologies by investing $100 million over the next decade into decarbonization programs that will scale climate technologies and build new businesses across the energy and materials value chains. By 2050, the hub seeks to remove 100 million tons of emissions annually and create 500,000 new jobs.

Impact story

Enduring Earth: Advancing global conservation efforts

In 2022, McKinsey joined the **Enduring Earth** initiative to help accelerate ocean, land, and freshwater conservation and support community development worldwide.

The effort brings together governments, local communities, Indigenous peoples, and funders to develop accountable, actionable, and science-based conservation plans that create opportunities for sustainable economic growth.

Enduring Earth uses Project Finance for Permanence—also known as a PFP—an innovative and proven model that fully funds conservation efforts to ensure durable and scalable impact. The approach closely follows the project financing methodology commonly used in large infrastructure projects. It ensures all funding and pre-conditions for success are committed in a single-deal moment before funding is released.

That means the commitments of one stakeholder can leverage the commitments of others, like philanthropists or the private sector, and vice versa. Early community buy-in and involvement are critical elements of the process, and this approach ensures communities can be in the driver's seat every step of the way.

McKinsey is contributing to this model through the analysis and optimization of socioeconomic impact, identifying sustainable financing mechanisms, and enabling access to carbon markets. To date, nearly 90 million hectares across five nations have been conserved with the goal of protecting another 600 million hectares across 20 nations by 2030.

~90M

hectares conserved across five nations

A hummingbird in Colombia, one of the countries where Enduring Earth is helping conserve ocean, lands, and freshwater. ©Jonny James/Unsplash

Impact story

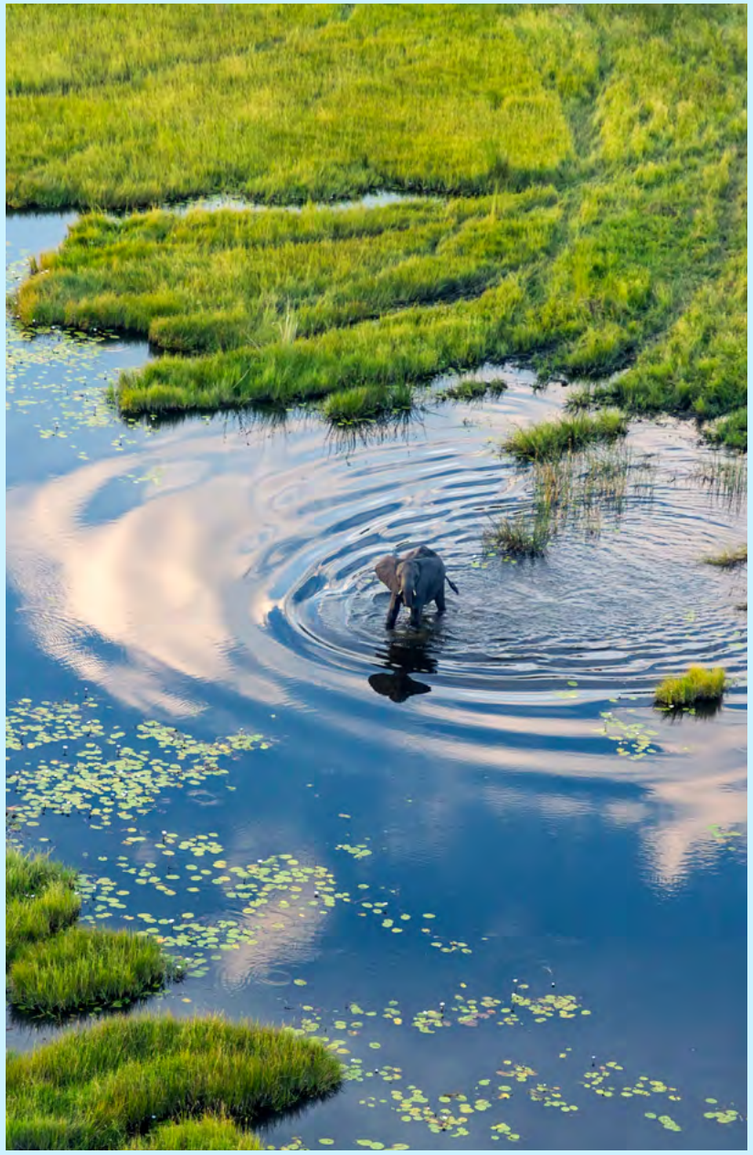
Africa Carbon Markets Initiative: Accelerating sustainability and job creation across the continent

McKinsey helped to design the Africa Carbon Markets Initiative (ACMI) in partnership with Sustainable Energy for All, the Global Energy Alliance for People and Planet, and the Rockefeller Foundation.

The initiative, launched at COP27, aims to dramatically expand Africa's participation in voluntary carbon markets. McKinsey has supported ACMI from its inception, working with the Global Energy Alliance for People and Planet, through shaping and refining the initiative's ambition, developing its strategy and operating model, and defining and implementing processes to increase efficiencies.

ACMI's ambition is to grow African carbon credit retirements approximately 19-fold from 2020, reaching around 300 metric tons of carbon dioxide equivalent per annum by 2030 and up to 1.5 to 2.5 gigatons of carbon dioxide equivalent by 2050. It also seeks to create and support 30 million jobs by 2030 and more than 100 million jobs by 2050 through the carbon project's development, execution, certification, and monitoring.

ACMI, which launched 13 action plans to accelerate progress in the run-up to COP28, also looks to raise the quality and integrity of African carbon credits to mobilize up to $6 billion by 2030 and more than $100 billion per annum by 2050. This effort will ensure equitable and transparent distribution of carbon credit revenue, with a significant portion of the revenue going to support local communities.



100M

jobs supported by 2050

Impact story

ALDI SOUTH: Creating a retailer-led sustainable global packaging ecosystem

A leading European grocery retailer with a growing global footprint, the ALDI SOUTH Group uses a range of packaging materials, the majority of which are plastics.

McKinsey partnered with ALDI SOUTH to create a more sustainable packaging ecosystem, allowing the organization to secure greater access to recycled materials—and meet the demands of their customers, who had expressed a desire for less waste and more recycled packaging in surveys.

Together, we built a 360° view of the company's plastic packaging footprint—across countries, polymers, and packaging formats. This information informed a value chain strategy that allowed ALDI SOUTH to see which aspects they should own—and where to partner—on their journey to more sustainable packaging. This will unlock a measurable reduction on plastic packaging, including significant reduction of CO_2 emissions for plastic packaging, for the company globally.

To ensure that ALDI SOUTH could deliver on these goals, we helped them design a new organizational structure dedicated to sustainable packaging. This also included a capability-building effort that ALDI SOUTH launched, upskilling employees, with a focus on product packaging optimization, packaging design, partner management, recycling, and waste management.

As sustainable packaging becomes an increasingly challenging topic for consumer goods companies and retailers alike, these efforts will help the ALDI SOUTH Group—which has more than 7,100 stores in 11 countries—capture opportunities, become a leader in this space, and create value for customers who want to make more sustainable choices.

Our insights

Key publications

We are accelerating the journey to net zero, publishing in-depth, fact-based insights that meaningfully advance progress and problem-solving on the global energy transition.

Decarbonization is at the top of the leadership agenda—but the drive to net zero is also at an inflection point. The imperative to transition to an energy system that is clean and sustainable and at the same time affordable and secure presents leaders with a "devilish duality" that makes decision-making fraught with risk.

We help leaders navigate this dilemma through publications covering a range of topics: physical climate risk, sustainability, decarbonization, and approaches to addressing global, regional, and sector-specific energy challenges. Through our research and insights, we seek to generate new thinking, identify practical solutions, and inspire the bold action necessary to realize a safer and more sustainable future. Here are some highlights from our collected sustainability insights in 2022.

The net-zero transition: What would it cost, what it could bring

Governments and companies are pledging to achieve net-zero emissions of GHGs. What would it take to fulfill that ambition? In this report, we look at the economic transformation that a transition to net-zero emissions would entail.

Delivering the climate technologies needed for net zero

Developing and deploying climate technologies is critical for the world's net-zero agenda. Growth could await businesses willing to innovate quickly and to collaborate across value chains.

Spotting green business opportunities in a surging net-zero world

Explore how eight industries may transition to a net-zero world, and how organizations can respond with green businesses that create value along the way.

Nature in the balance: What companies can do to restore natural capital

This article is the summary of a full report in which we examine the state of natural capital, the economic sectors depending on and affecting it, and the opportunities for companies to help reduce those demands.

Our insights

Key publications (continued)

[Playing offense to create value in the net-zero transition]

Decarbonization will reshape the economy, opening new markets and imperiling others. Now is the moment for companies to spot green growth opportunities and move boldly to take advantage.

[The energy transition: A region-by-region agenda for near-term action]

This article highlights a range of near-term actions that countries and regions around the world could take to ensure they transition their energy system while maintaining focus on the immediate needs of energy reliance and affordability.

[A devilish duality: How CEOs can square resilience with net-zero promises]

Amid turbulence on the path to net zero, leaders will have to be much nimbler to balance resilience with an energy future that is secure, affordable, and clean. Five actions can help.

[Six characteristics define the net-zero transition]

Our analysis of the net-zero transition suggests that it would be universal, significant, and front-loaded, with uneven effects on sectors, geographies, and communities, even as it creates growth opportunities.

[Decarbonising India: Charting a pathway for sustainable growth]

This will be a decisive decade. With intentional action, India can accelerate decarbonization at scale while pursuing economic growth.

[The raw-materials challenge: How the metals and mining sector will be at the core of enabling the energy transition]

As the world gears up for net zero, demand for raw materials is set to soar. The energy transition presents unique challenges for metals and mining companies, which will need to innovate and rebuild their growth agenda.

Our actions

Our path to net zero

Healthy societies depend on a healthy planet. That's why, in addition to serving clients and sharing insights, McKinsey has committed to achieving net-zero climate impact by 2030.

Our approach

Becoming the largest private sector catalyst for decarbonization begins with our own actions.

Our approach to achieving net-zero climate impact by 2030 is informed by our insights and built on three pillars:

1. **Cutting our own emissions** to achieve our validated, science-based targets to reduce Scope 1, 2, and 3 emissions in line with a 1.5-degree pathway. This is our top priority.
2. **Compensating for remaining emissions** that we have not yet been able to eliminate. We have been carbon neutral since 2018.
3. **Catalyzing climate action now** by working closely with clients, nonprofits, suppliers, and peers to protect nature, accelerate new technologies, and ensure crucial financing.

CDP DISCLOSURE INSIGHT ACTION A LIST 2022 CLIMATE

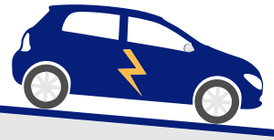
In 2022, McKinsey made CDP's Climate Change A List

We are committed to transparency and accountability in our actions. In 2022, McKinsey made CDP's Climate Change A List—the gold standard for climate disclosure—for our transparency and leadership.

The Risk, Audit, and Governance Committee (RAGC), a sub-committee of McKinsey's Shareholders' Council (our board), provides strategic direction, oversight, and accountability for climate-related issues. Performance ratings, which inform bonuses for the leaders of our Shareholders' Council, Acceleration Team (our global leadership team), and Sustainability Growth Platform, are connected to the attainment of the firm's goals, including our sustainability goals.

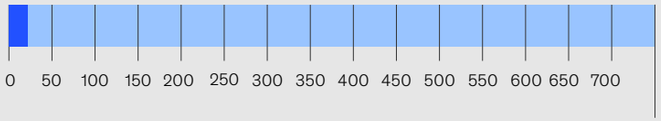
Net-zero climate impact roadmap

We are committed to achieving net-zero climate impact by 2030, with interim science-based targets as an important milestone.



2019

Our baseline



- **Scope 1 and 2:** Direct and indirect emissions—for example, from our offices and firm-owned vehicles
  18K tCO_2e
- **Scope 3:** Other indirect emissions—for example, internal and client travel
  725K tCO_2e

Total GHG emissions
743K tCO_2e

2025

Our validated science-based targets[12]

25%
reduction in absolute Scope 1 and 2 emissions (vs. 2019)

30%
reduction in Scope 3 business travel emissions per colleague (vs. 2019)

[12] In line with a 1.5°C pathway.

2030

Our commitment

Net-zero climate impact

How we are getting there

Cutting our own emissions

Scope 1 and 2:
- Fleet electrification
- Renewable electricity
- Sustainable office space

Scope 3:
- Virtual events
- Hybrid working models
- Sustainable aviation fuel

Compensating for remaining emissions

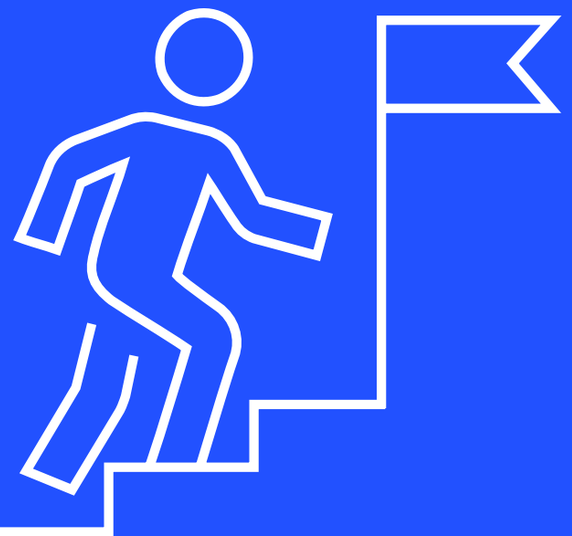
- Natural climate solutions
- Permanent carbon removal technologies
- Carbon neutral since 2018

Catalyzing climate action now

- Multi-year initiatives to protect nature, accelerate new technologies, and ensure financing

LEAF Coalition Coordinated by Emergent | Natural Climate Solutions Alliance | SABA Sustainable Aviation Buyers Alliance | Frontier

2022 progress toward net-zero impact



Cutting our own emissions

On track to meet our science-based targets

Target	Progress in 2022
25% absolute reduction in Scope 1 and 2 GHG emissions by 2025 (vs. 2019 baseline)	**30%** reduction vs. 2019
30% reduction in Scope 3 GHG emissions from internal and client-related business travel per colleague by 2025 (vs. 2019 baseline)	**48%** reduction vs. 2019

Launched an internal carbon fee on all air travel

Sourced 97% renewable electricity

Compensating for remaining emissions

Shifting to 50% carbon removals by 2025 to reach 100% by 2030

Invested in a portfolio of natural climate solutions projects, for example:

- The Delta Blue Carbon project in Pakistan has restored and protected 224,000+ hectares of mangroves, benefiting 10,400+ people.
- The Southern Cardamom REDD+ Project in Cambodia has helped 16,000+ people build more sustainable livelihoods by protecting 442,000 hectares of forests home to 35 threatened species.
- The CO2OL Tropical Mix reforestation project in Panama has planted 7.5 million trees and helped local residents benefit from increased employment, higher wages, and health and pension benefits.

Catalyzing climate action now

Launched Frontier with Alphabet, Meta, Shopify, and Stripe, a new $1+ billion advance market commitment to purchase permanent carbon removal before 2030

- We signed multi-year offtake agreements with multiple carbon removal providers worth ~$10 million for our own footprint as part of our commitment to scale the tech-based carbon removal market and compensate for our remaining emissions.

Joined the Enduring Earth initiative to accelerate ocean, land, and freshwater conservation

Continued to partner with the LEAF Coalition to scale jurisdictional carbon credits and with the Sustainable Aviation Buyers Alliance to scale the sustainable aviation fuel market

Cutting our own emissions

We account for our GHG emissions on an annual basis and have them independently verified to ensure they align with the Greenhouse Gas Protocol and best measurement practices.[13] In 2022, our total GHG emissions decreased by 28 percent from 2019 due to adopting new ways of working and reducing our internal and client-related travel.

Our progress in reducing GHG emissions (market-based)

	2019[14]	2020	2021	**2022**
Scope 1	15	12	12	**10**
Scope 2	3	3	3	**3**
Scope 3	725	208	169	**519**
Total	743	223	183	**532**

Data in thousand tCO_2e

Note: Figures in this section may not sum to total because of rounding. Scope 1: Direct emissions (for example, from the combustion of fuels in owned or controlled boilers, diesel backup generators, and vehicles); Scope 2: Indirect emissions from the generation of purchased electricity, heat, or steam; Scope 3: Other indirect emissions (for example, related to business travel or purchased goods).

Electrifying firm-owned vehicles (Scope 1 and 2 emissions)

To decarbonize our fleet of vehicles, we are working toward making electric vehicles (EVs) the default for lease renewals. We have introduced EV-only vehicle policies in Germany, Austria, Belgium, Luxembourg, the Netherlands, and Switzerland—effectively covering more than 50 percent of our global car fleet. Our use of hybrid and EV cars has increased threefold globally since 2019—from 9 percent in 2019 to 27 percent in 2022.

Making our office spaces more sustainable (Scope 1 and 2 emissions)

Sixty-one percent of our global office space is in LEED certified (or equivalent) commercial interiors or office buildings; 49 percent of our global office space is in LEED Gold or Platinum (or equivalent) certified commercial interiors or office buildings. Many of our colleagues work remotely or have a hybrid working model, which has shifted some of our electricity consumption from our offices to colleagues' homes. We capture this transition in our Scope 3 emissions.

Water and waste

Given the nature of our operations, our environmental footprint is not water intensive. Therefore, we do not measure our water withdrawals globally. In 2022, 61 of our 189 operating locations were in areas of high or extremely high baseline water stress. To date, 24 of these 61 locations have achieved green building certification. We will continue to minimize our water consumption while contributing to structural solutions—for example, by supporting the UN Water Resilience Coalition as a knowledge partner and adviser.

Green Teams

More than 1,200 colleagues were members of our 120 Green Teams in 2022—representing nearly every office. The teams helped build awareness, reduce the firm's environmental footprint, and mobilize our more than 45,000 colleagues to invest their time and effort in local activities to reduce our collective footprint. These ranged from eliminating single-use plastic and improving water efficiency to educating teams about sustainable travel options.

Our Go Green Awards recognize Green Teams who have gone above and beyond to make their McKinsey locations more environmentally sustainable. This year, we recognized five outstanding Green Teams—Manila, Mexico, Brussels, Tampa, and Detroit—that spearheaded initiatives to accelerate recycling, support local urban farms, reduce food and plastic waste, plant trees, and clean up local beaches.

1,200+
colleagues are members of our 120 Green Teams globally

61%
LEED certified (or equivalent)[15] global office space

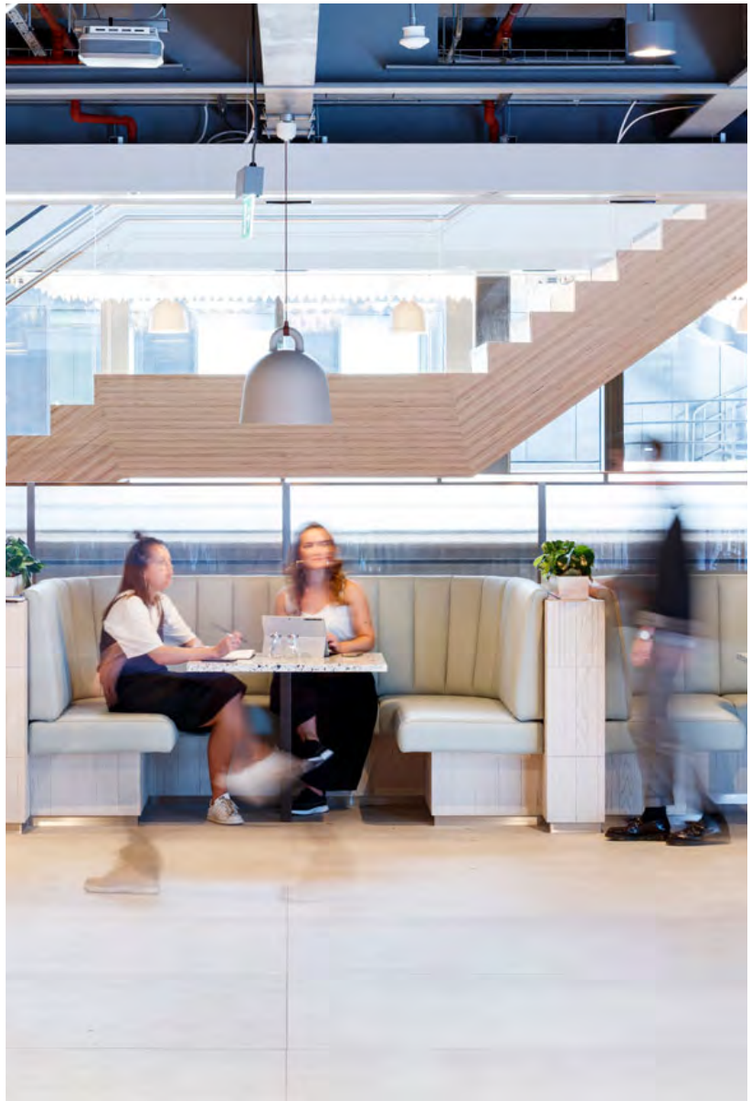
9 offices
have received ISO 14001 environmental management system certification to date

10,000+
trees planted by six offices

[13] Our GHG emissions inventory methodology follows best practices, such as using scientifically robust and up-to-date emission factors and including a radiative forcing index of 1.9 for air travel. Our reporting covers all material emission sources and complies with the criteria of South Pole's Climate Neutral Company label. Scope 1 covers all direct GHG emissions, such as fugitive emissions and those from combustion in owned or controlled boilers, diesel backup generators, and vehicles. Scope 2 covers indirect GHG emissions from the generation of purchased electricity, heat, or steam. Scope 3 encompasses other indirect emissions, such as those from business travel, upstream, emissions from purchased fuels and electricity (for example, well-to-tank emissions, transmission, and distribution losses), purchased goods, vehicles not owned or controlled, outsourced activities, waste disposal, and use of video conferencing and other digital services as well as the use of electricity and heating at home during work. Scope 1 and 2 emissions were calculated using survey data covering 94% of our offices. Scope 3 emissions were calculated based on mileage (air travel, ground transportation, and employee commuting), stay duration (hotels), energy consumption (related to work from home, cloud computing, and upstream emissions from purchased fuels and electricity), spend (purchased goods and outsourced activities), and survey data (waste disposal and consumption of water bottles). Wherever data was missing, estimates were used for all scopes.

[14] We have set science-based targets and have committed to reduce absolute Scope 1 and 2 GHG emissions 25% and Scope 3 GHG emissions from business travel 30% per employee by 2025 from a 2019 baseline year.

[15] Within commercial interiors or office buildings.

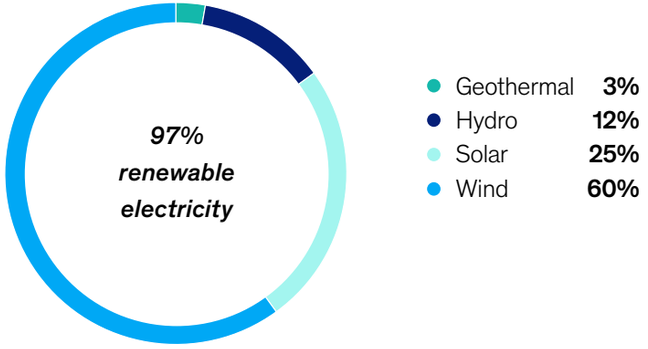


McKinsey's London office, one of several that have received ISO 14001 environmental management system certification.

Transitioning to renewable electricity (Scope 2)

As part of our commitment to the RE100 climate group, we source renewable electricity aligned with RE100 criteria in every country where it's currently available. This means we have shifted 97 percent of our total consumed electricity to renewable sources and aim to reach 100 percent by 2025. Of our 2022 electricity consumption, 0.5 percent originated in Russia. In light of the war in Ukraine, we did not procure electricity certificates for Russia. We have since suspended operations in Russia.

Electricity consumption from renewable sources %



We introduced a global internal carbon fee on all air travel

Reducing travel, driving sustainability in aviation, and encouraging hybrid working models (Scope 3)

Air travel is the largest component of our carbon footprint (82 percent of our 2019 baseline for our science-based targets). Building on the approach adopted during pandemic-related restrictions, we are reimagining our travel and making necessary travel more sustainable by:

— **Embracing new ways of working:** Our teams are implementing hybrid and remote working models that are more sustainable, inclusive, and productive. For example, we introduced a new event planning tool that optimizes travel by identifying the location and transportation options with the lowest carbon footprint. To ensure lasting change, we launched two major initiatives in 2022:

- **Driving action through accountability:** We have designated a Senior Partner Science-Based Target Leader per region. Each is accountable for delivering our Scope 3 science-based target and regularly reports progress to our Acceleration Team.
- **Launching an internal carbon fee:** As of January 1, 2023, we introduced a global internal carbon fee on all air travel to accelerate decarbonization and generate funding for carbon reduction efforts. The fee allows us to continue investing in emerging sustainability technologies, like carbon removal and sustainable aviation fuels, and strengthens colleague awareness of our environmental footprint and commitments. The funds will also be used to continue compensating for our remaining emissions to fund our net-zero transition.

— **Recruiting in a digital environment:** The use of technology throughout our recruiting process allows for greater accessibility and convenience for applicants. In 2022, we held more than 115,000 virtual interviews and recruiting events, allowing potential candidates to learn more about us and the work we do from their homes, reducing our carbon footprint.

— **Driving sustainability in aviation:** We are committed to helping scale up the use of sustainable aviation fuel (SAF). We are founding members of the Sustainable Aviation Buyers Alliance and signatories to the World Economic Forum's Clean Skies for Tomorrow 2030 Ambition Statement, targeting 10 percent SAF by 2030. We are partnering with clients to enable SAF production and offtake.

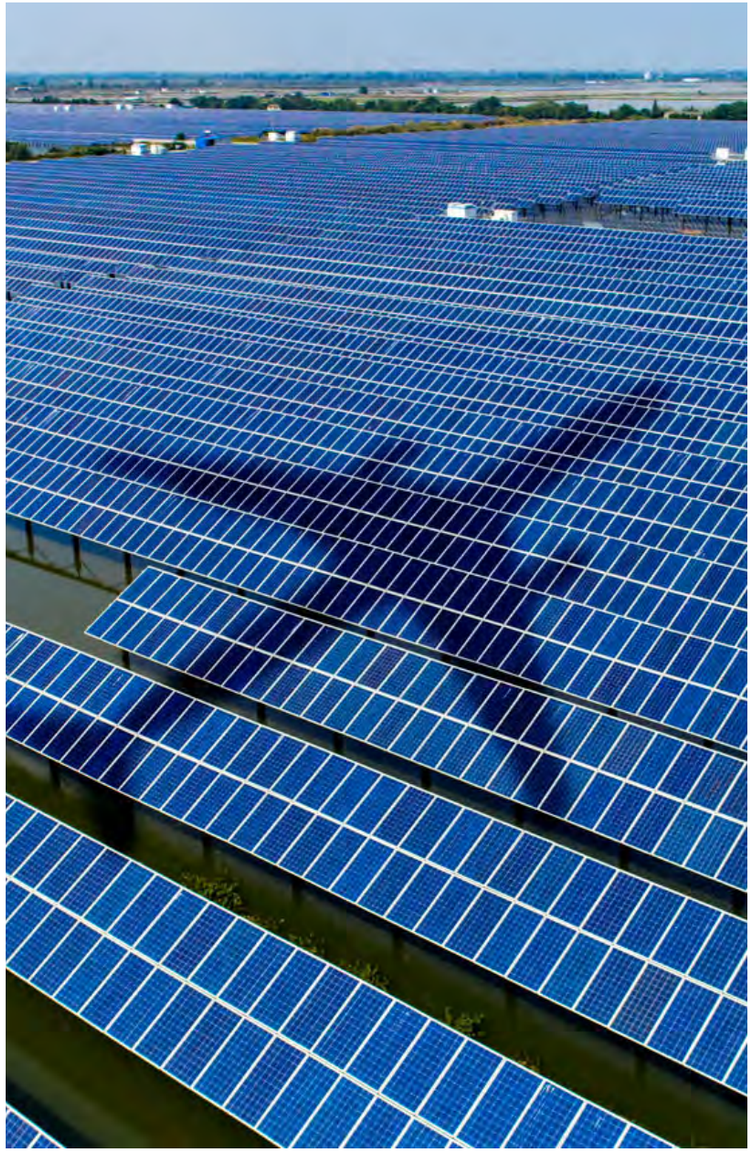
Reducing our supply chain emissions (Scope 3)

We are committed to engaging with our suppliers to help them improve the social and environmental impact of the goods and services they offer. Because indirect emissions from travel account for more than 90 percent of our carbon footprint, we have made engaging with our travel-related suppliers on sustainability issues a focus of our sustainable procurement efforts.[16]

In 2022, we launched the CDP Supply Chain program with suppliers accounting for more than 80 percent of our Scope 3 business travel emissions. Engaging our suppliers through the CDP Supply Chain program will enable us to more easily identify risks and opportunities related to emissions reductions in our own supply chain and will support and encourage our suppliers to reduce their own emissions.

We continue to discuss opportunities with our suppliers to provide our colleagues with more sustainable options. Learn more about driving supplier environmental sustainability.

We engage suppliers accounting for 80%+ of our Scope 3 business travel emissions.



[16] Exceptions may apply such as when travel decreased due to COVID-19.

Compensating for remaining emissions

We have been carbon neutral since 2018, compensating for all emissions we have not yet been able to eliminate, including those from travel. We achieved this by investing in high-quality carbon reduction projects certified by international standards such as Gold Standard and Verified Carbon Standard in conjunction with Climate, Community & Biodiversity Standards (VCS+CCBS). With the support of third-party due diligence, we continually monitor, reassess, and adjust our portfolio of projects.

Investing in natural climate solutions

We are investing in natural climate solutions to address the dual climate and nature crises and in technology solutions to help scale the carbon removal market to meet global demand. As we accelerate toward our 2030 net-zero goal, we will transition to 100 percent carbon removals to permanently remove carbon from the atmosphere.

Innovating the next frontier of carbon removal technologies

The primary drivers to meet the 1.5-degree pathway set by the Intergovernmental Panel on Climate Change are carbon emissions avoidance and emissions reductions. Increasingly, however, atmospheric carbon removals are being identified as a crucial method in limiting global warming.

McKinsey Sustainability has partnered with Alphabet, Meta, Shopify, and Stripe to found Frontier, a new more than $1 billion advance market commitment to purchase permanent carbon removal before 2030. By guaranteeing future demand, Frontier seeks to accelerate the development of permanent carbon removal technologies and expand their global supply and accessibility.

In 2021, McKinsey joined the Lowering Emissions by Accelerating Forest finance (LEAF) Coalition as an initial participant—one of the largest ever public-private efforts to protect tropical forests through an innovative approach to large-scale financing. We continue to be an active member both in shaping the emerging jurisdictional approach and through our purchasing commitments.

Compensating for remaining emissions: By the numbers

16 projects supported worldwide

$11+ per tCO_2e average carbon price

21% CO_2 removal projects

- 8% mangroves
- 13% afforestation/reforestation

532K+ tCO_2e compensated, including:

- 46% forest protection and conservation (REDD+)
- 33% technology-based avoidance (e.g., landfill gas capture)
- 21% CO_2 removal projects

Catalyzing climate action now

We work with our clients, nonprofits, and other peer organizations around the world on multi-year conservation initiatives that help protect nature and reduce biodiversity loss. To amplify our impact, we work with these groups to scale the solutions we need to limit global warming to 1.5°C.

Improving recycling programs and livelihoods

Delterra is an independent nonprofit founded and supported by McKinsey that is redesigning waste management and recycling systems in Argentina, Brazil, and Indonesia. Up to 70 percent of participants in its flagship program, Rethinking Recycling, now separate their waste, leading to improved material recovery and the diversion of thousands of tons of waste. Delterra has established a second program, Plastic IQ, to help companies rethink their packaging strategies, and is piloting a material traceability tool in Argentina to enable ethical, transparent supply chains. Delterra plans to scale its operations across Asia, Latin America, and Africa in the coming years and is on track to reach 1.5 million people by the end of 2023.

This includes our support for:

The World Business Council for Sustainable Development and its efforts to accelerate a net-zero, nature-positive, and equitable future

The LEAF Coalition, a public-private partnership to protect tropical forests through large-scale financing

The Sustainable Aviation Buyers Alliance (SABA), which is working to scale and standardize high-quality SAF

Frontier, a $1+ billion advance market commitment with fellow founding members Alphabet, Meta, Shopify, and Stripe to purchase permanent carbon removal before 2030

The World Economic Forum and its Clean Skies for Tomorrow Coalition, which works toward reforming the aviation industry

Natural Climate Solutions Alliance, which aims to increase private sector investment in natural climate solutions by 1 gigaton of CO_2e per year by 2025

RE100, a coalition of 380+ organizations committed to using 100% renewable electricity

Delterra, which is building rapidly scalable, self-sustaining recycling ecosystems in emerging economies to help communities redirect waste to productive uses