

McKinsey
& Company

Due Diligence Report 2023

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 2024

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 January 2023 – 31 December 2023.

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 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 committed to helping organizations accelerate sustainable and inclusive growth. We work with clients across the private, public, and social sectors to solve complex problems and create positive change for all their stakeholders. We combine bold strategies and transformative technologies to help organizations innovate more sustainably, achieve lasting gains in performance, and build workforces that will thrive for this generation and the next.

McKinsey operates as a single global partnership. Our "one firm" partnership model means we are united globally by our collective purpose, mission, and values. It also defines our approach to setting policies and processes across the firm. For that reason, when this report describes activities of McKinsey globally, these activities also apply to McKinsey Norway (unless otherwise specified).

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 2023 calendar year, McKinsey Norway engaged a range of suppliers and business partners, the majority 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 Conduct (Our Code) 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 opportunity and is expected 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 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 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 2023, 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 2023, 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 part of a risk-based approach to identify, prevent, mitigate, account for, and, where applicable, support remediation of any adverse impacts on human rights and decent working conditions in our supply chain. It supports our commitment to the UN Guiding Principles on Business and Human Rights and the UN Global Compact.

As one component of our supplier due diligence process, the standard RFP templates used by our Sourcing team during the supplier sourcing and selection stages include questions to screen potential suppliers on practices and policies in areas including environmental sustainability, human rights and working conditions. It is also standard process for new suppliers to go through an onboarding process that includes risk-based screening to confirm the supplier follows applicable laws and meets our standards. This process includes additional questions for suppliers with potentially higher risk of having an adverse impact on human rights and decent working conditions, based on considerations such as spend level, country risk, and category risk. Our process is to carry out periodic diligence checks to assess changes in suppliers' circumstances at intervals determined by the supplier's risk profile. In 2023, we re-certified existing suppliers against an updated standard due diligence process, which included human and labor rights considerations.

We continued to enhance the specific components of our supplier diligence capabilities relating to human rights and decent working conditions through investment in a third-party ESG-specific risk analysis tool and supplier assessment platform (which also covers human rights and decent working conditions). The supplier assessments conducted through this platform require document verification of policy, practice, and performance claims in the areas of environment, fair labor and human rights, business ethics, and sustainable procurement. Documents are reviewed by an independent third party against globally recognized standards and frameworks. Based on assessment results, we may request corrective actions from suppliers to address any human or labor rights related improvement areas and monitor their progress.

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 2022, 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. We continued to expand the number of suppliers subject to this

supplementary risk analysis in 2023, and also invited more suppliers to complete the evidence-based assessment. Based on a periodic review of assessment results, 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 2023, 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, working conditions, 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 2023, 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 relating to adverse impacts on human rights or decent working conditions by McKinsey Norway suppliers were raised through our available grievance channel during 2023.

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, working conditions, 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

In 2023, we reviewed and maintained our Workplace Conduct Policy and Code of Conduct (both of which, as noted above, establish standards for non-discrimination). We further deepened our internal investigations capabilities by continuing to train, apprentice, and certify additional HR professionals in offices around the world who are responsible for investigations into concerns that conduct by colleagues may have violated 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. To ensure fairness in our hiring processes, we employ a full suite of consciously inclusive solutions to assess candidates. Each member of our Talent Attraction team completes AD&I and unconscious bias training, and to combat potential biases, we provide inclusion training for all of our recruiters and assessors to ensure evidence-based hiring decisions. We are committed to equal pay for equal work; and have processes in place to help ensure pay equity. Central to our pay equity approach are objective benchmarking and market insights, as well as robust audit practices. We actively monitor pay equity regulations in all countries where we operate.

iii. Working Conditions

Employment decisions, including compensation matters, are based on legitimate business needs, job requirements, and individual qualifications. Each colleague is compensated based on relevant skills, performance in role, and/or geography. We used WageIndicator market data to verify that we pay all colleagues a living wage; our lowest compensation ranges are above the applicable minimum wage, including for entry-level positions.

iv. Digital/Data Security and Privacy

In 2023, as part of our commitment to updating our policies and procedures to be responsive to changing needs, we continued to operate and incrementally improve 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. Our approach to ensuring we follow all regulatory requirements and best practices is governed by our Data Protection and Privacy Policy, which was also updated in 2023.

v. 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. We proactively seek to safeguard the well-being and personal security of colleagues in all the contexts in which they operate. Our Firm Security Team is staffed by experienced professionals across the world. It partners with colleagues in our offices and functions (Human Resources, Real Estate, Travel, and Technology) to achieve these objectives. Additionally, we leverage leading industry providers to deliver global security and medical support.

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 2023 we undertook the following preventive measures:

- We deployed a training program for all eligible colleagues on our procurement team. The training covered information on sustainable procurement fundamentals and expectations of our procurement colleagues related to our Sustainable Procurement and Responsible Buying Policy.
- We also trained select colleagues on the evidence-based assessment platform we use to evaluate certain suppliers' human rights and labor policies and practices. We maintained a cross-functional Human Rights Working Group to operationalize our approach to human rights due diligence and management.
- We continued to include human rights and labor questions in procurement-led RFPs and include our Supplier Code of Conduct requirements in our standard contract.

In 2023, we undertook the following management and mitigative measures:

- We continued to strengthen our supplier and business partner due diligence processes by expanding the number of suppliers subject to our supplementary ESG-specific risk analysis tool and to our third-party supplier assessment platform, both of which also consider factors relating to human rights and decent working conditions. 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 two supplier summits, attended by representatives from more than 50 supplier representatives 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 30 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 periodic reviews, 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 2024

Own Operations priorities for the next reporting period include:

- Review and refresh our global Workplace Conduct Policy;
- Continue to train and apprentice global Human Resources colleagues in their handling of internal investigations;
- Continue to convene the cross-functional Human Rights Working Group and develop Human Rights Due Diligence.

Sourcing priorities for the next reporting period include:

- Continue rolling out the third-party, evidence-based supplier assessment platform to potentially high-risk and high priority suppliers/business partners;
- Conduct annual Sustainable Procurement and Responsible Buyer Training;
- Host additional supplier sustainability trainings / townhalls;
- Assign “corrective actions” to selected supplier/business partners that complete 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 and business partners 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 2024.

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