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Report under the Fighting Against Forced Labour and Child Labour in Supply Chains Act

May 2024

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Introduction

This report is made pursuant to the Canada Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”) for the period 1 January 2023 to 31 December 2023 (the “Reporting Period”) by McKinsey & Company, Inc. Canada, a Delaware corporation (“McKinsey Canada (DE)”) and McKinsey & Company Canada/McKinsey & Compagnie Canada, a company formed under the laws of Nova Scotia (“McKinsey Canada (NS)”) and together with McKinsey Canada (DE), “McKinsey Canada”).

McKinsey Canada (DE) and McKinsey Canada (NS) are subsidiaries of McKinsey & Company, Inc., which together with its other subsidiaries, operates as a global firm comprised of offices in over 130 cities in over 65 countries worldwide (collectively, McKinsey & Company, Inc. and its subsidiaries are referred to as “McKinsey”).

McKinsey Canada (DE) and McKinsey Canada (NS) do not have an obligation to report under modern slavery prevention legislation in other jurisdictions. Other entities that are part of McKinsey report under other modern slavery prevention legislations which include, as of the date of this report: The United Kingdom’s Modern Slavery Act 2015; Australia’s Modern Slavery Act 2018, and the Norwegian Transparency Act.

McKinsey is a values-driven firm, and aspires to meet the highest professional, legal, and ethical standards. McKinsey Canada is subject to and has implemented policies, standards, procedures, processes, and controls of McKinsey.

As a participant in the United Nations Global Compact, McKinsey supports the protection of internationally proclaimed human rights, the elimination of all forms of forced and compulsory labour and the effective abolition of child labour.

McKinsey is committed to ongoing efforts to ensure that there is no modern slavery or human trafficking in the supply chain or in any part of the firm.

This report outlines the work completed for the Reporting Period in assessing and addressing modern slavery risks across McKinsey Canada. For more information on McKinsey’s approach and practices, please refer to the following:

- [Our Code of Conduct](#)
- [Human Rights Statement](#)
- [Supplier Standards](#) including the Supplier Code of Conduct
- [2023 ESG Report](#)

Operations

McKinsey is a global firm which offers management consulting services and provides advice to private, public, and social sector institutions. Illustrative examples of types of services include evidence-based empirical research, fact-based problem solving, rigorous data gathering, and economic analysis. McKinsey has deep functional and industry expertise as well as breadth of geographical reach.

At the time of publication of this statement, McKinsey Canada (NS) operates from four offices located in Calgary, Montreal, Toronto, and Vancouver.

Supply Chain / Suppliers

McKinsey's supply chain is comprised primarily of services, which are provided by third parties, including professional advisory services, travel services, and goods such as IT products, as well as office supplies. McKinsey Canada imports goods into Canada, specifically IT related equipment and office supplies.

McKinsey requires suppliers to fully comply with the applicable legal requirements of anti-slavery, forced labour and human trafficking laws and expects suppliers to enact practices to ensure compliance with such laws.

Policies and Due Diligence Processes

McKinsey's policies, including *Our Code of Conduct* and *Supplier Code of Conduct* reflect a commitment to acting ethically and with integrity in all business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in the workforce and/or the supply chain.

McKinsey has embedded checks for modern slavery into the routine supplier due diligence process and raises awareness of these issues with colleagues who manage the supplier vetting and management processes.

McKinsey's supplier risk management and due diligence process in place for the Reporting Period includes a risk-based assessment that evaluates the overall risk profile of each new supplier onboarded through the standard process. In 2023, McKinsey re-certified suppliers (with limited exceptions) against an updated standard due diligence process, which included Environment, Social, Governance (ESG) requirements. Additional details related to the supplier onboarding due diligence process include:

- Checks against global sanctions and enforcement databases (for example, OFAC, World Bank Debarment List).
- Adverse media review to identify risks including human rights abuses, human trafficking, and labour violations.
- ESG questionnaire which includes a risk assessment and evaluation of modern slavery based on criteria such as the country of operation, service category (based on external indices such as the Corruption Perceptions Index (CPI) and the Global Slavery Index) and/or expected annual spend that exceeds a predetermined threshold is triggered for new suppliers. Further vetting and evaluation on prospective suppliers based on the specific supplier's circumstances. This includes higher risk and higher spend suppliers, who are asked to complete a questionnaire about their policies and procedures in place regarding human rights, modern slavery, forced labour, child labour and human trafficking.

As part of the Supplier Code of Conduct, McKinsey requires suppliers to fully comply with the applicable legal requirements of anti-slavery, forced labour and human trafficking laws and expects suppliers to enact practices to ensure compliance with such laws. This Supplier Code of Conduct was updated in 2023 to expand the number of human rights and labour-related issues covered under 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.

Beginning in 2022, McKinsey strengthened the supplier due diligence processes by adding a supplementary human rights and modern slavery-specific risk analysis tool and launching 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 of any human rights policy and practices claims against globally recognised standards and frameworks. Based on assessment results, McKinsey may request corrective actions from suppliers to address improvement areas.

Once onboarded, McKinsey conducts periodic due diligence based on the level of risk of active suppliers and will include an adverse media scan enabling McKinsey to address any new risks identified or previously undetected risks in the supply chain.

McKinsey also ensures that forced labour and child labour are not used within the workforce. Examples include:

- McKinsey, through the Human Rights Policy, is committed to compliance with all laws regulating minimum working age for each individual's position, including any laws pertaining to the employment, apprenticeships, and internships of youths and students and the strict prohibition on the use of forced labour and exploitative working conditions in line with the definition of "forced labour" by the International Labor Organization (ILO) as "work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily."
- McKinsey is committed to equal pay for equal work and has processes in place to help ensure pay equity. McKinsey is proud to report a 2023 weighted pay ratio of 99 percent, globally, which represents the ratio of female to nonfemale colleagues based on total compensation by colleague grouping and level by country¹. 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.
- Central to McKinsey's pay equity approach are objective benchmarking and market insights, as well as robust audit practices. McKinsey actively monitors pay equity regulations in all countries of operation. McKinsey used

¹ This pay ratio was calculated using annualized 2023 total compensation of female to nonfemale firm members, weighted based on segments including colleague grouping and level by country, including partners and nonpartners. Segments with a total number of colleagues fewer than ten were excluded.

WageIndicator market data to verify that all colleagues are paid a living wage; McKinsey's lowest compensation ranges are above the applicable minimum wage, including for entry-level positions.

Risks of Modern Slavery Practices in Operations and Supply Chain

McKinsey's internal policies reflect the commitment to acting ethically and with integrity in all business relationships and to implementing and enforcing effective systems and controls that strive to eliminate slavery and human trafficking from the supply chain.

Given that McKinsey is a professional services firm and following an assessment of business operations and supply chain, McKinsey is not aware of any material risks of forced labour or child labour related to business activities or supply chain directly associated with McKinsey Canada. In the event a material risk is observed in the supply chain, McKinsey has processes in place to track, monitor, and remediate issues, as appropriate.

Remediation

McKinsey Canada has not identified any confirmed instances of forced or child labour, and so no remediation measures have been required to be taken.

McKinsey Canada has not identified any confirmed instances of loss of income due to measures it has taken to address the risk of forced labour or child labour, and so no measures have been required to be taken to remediate loss of income.

Training and Grievance Mechanisms

As a global firm, McKinsey continues to maintain and enforce *Our Code of Conduct* and human rights-related policies, such as our Workplace Conduct Policy, which govern how the internal workforce governs itself. Building and maintaining a culture of integrity is the responsibility of all firm members. McKinsey supports firm members through training and communication efforts to maintain a commitment to ethics, integrity, and compliance.

All active McKinsey colleagues are required to participate in Professional Standards and Risk training and certify compliance with firm policies on an annual basis. Some of the topics covered in annual mandatory learning include anti-corruption, conflicts of interest, information security, anti-harassment, workplace conduct, environmental sustainability, and human rights. Upon joining the firm, all new colleagues are required to complete mandatory training to build an understanding of McKinsey's Code of Conduct and policies and participate in an in-person or virtual onboarding session where they learn about McKinsey values and what is expected of them as colleagues.

Further, McKinsey provides training for all colleagues on the procurement team, incorporating information on sustainable procurement fundamentals and expectations of the Sustainable Procurement and Responsible Buying Policy. In 2023, 100 percent of McKinsey's eligible procurement team colleagues completed the sustainable procurement training.

Every colleague has the right to raise concerns about values, ethics, and professional conduct without fear of retaliation. In addition to clearly defined internal channels, McKinsey has a global hotline that enables both colleagues and external reporters to raise concerns relating to potential violations of laws, policies, professional standards, and values in a confidential manner and, where legally permissible, anonymously. McKinsey does not tolerate retaliation of any kind against colleagues who in good faith report potential or actual ethics or legal violations.

Assessing Effectiveness

McKinsey is committed to continuous improvement across the workforce and/or the supply chain. McKinsey has implemented a policy governance practice to review and reauthorize policies, including Human Rights, on annual basis. McKinsey also evaluates the effectiveness of its processes through targeted assessments, reviews, and audits. In addition, McKinsey leverages third-party platforms to benchmark policies and procedures against best practice.

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Approval and Attestation

This report has been approved in accordance with section 11(4)(b)(ii) of the Fighting Forced Labour and Child Labour in Supply Chains Act (the “Act”) by the Board of Directors of each of McKinsey & Company Canada/McKinsey & Compagnie Canada and McKinsey & Company, Inc. Canada as the joint report for McKinsey & Company, Inc. Canada and McKinsey & Company Canada/McKinsey & Compagnie Canada for the fiscal year ending December 31, 2023.

In accordance with the requirements of the Act and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity listed below my signature. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, and I have the authority to bind the entity listed below my signature for the reporting year listed above.

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Andrew Pickersgill

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Andrew Pickersgill

President

McKinsey & Company, Inc. Canada

May 29, 2024

DocuSigned by:

Robert Palter

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Robert Palter

President

McKinsey & Company Canada/
McKinsey & Compagnie Canada

May 29, 2024