

# Modern Slavery Statement

31 December 2022

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# Modern Slavery Statement

This statement is made pursuant to section 14 of the *Modern Slavery Act 2018* (Cth) (**Modern Slavery Act**) for the period 1 January 2022 to 31 December 2022.

This statement is made on behalf of McKinsey Pacific Rim Inc., McKinsey & Recovery Transformation Services Australia Co. and McKinsey Australia Holdings Pty Ltd (collectively referred to as McKinsey Australia for the purposes of this Statement).

## Introduction

McKinsey & Company is a values-driven organisation and we aspire to meet the highest professional, legal and ethical standards.

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.

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chain or in any part of our business.

Beyond our own firm, we provide expertise and support to assist organisations and grass-roots initiatives that promote human rights and tackle forced-labour and child-labour practices. We provide expertise and support to a wide range of philanthropic, civic and cultural organisations that work on these issues and have partnered closely with non-governmental organisations at both a global and local level through diverse pro bono activities and memberships.

This statement sets out our global approach to modern slavery. For more information on McKinsey's approach and practices, please refer to the following:

- [Social Responsibility](#)
- [2022 ESG Report](#)
- [Human Rights Statement](#)
- [Client Service Policy](#)
- [Supplier Standards](#) including our Supplier Code of Conduct

This Statement sets out the work we have done up to and including the 2022 calendar year in assessing and addressing modern slavery risks across our Australian business.

## Our Structure and Reporting Entities

McKinsey Australia is part of McKinsey & Company, a global consulting firm headquartered in the United States, with offices in 65+ countries around the world.

Globally, McKinsey & Company is a partnership that operates as a legal entity formed under US law and is comprised of member firms across different regions, including partnerships and company structures in Australia, throughout Europe and Asia.

Consulting services are provided independently by McKinsey Australia companies and McKinsey Australia does not control the foreign business operations of the member firms of McKinsey & Company.

This Statement is made by the Australian business and is made on behalf of three reporting entities. Those reporting entities and their respective legal compositions are as follows:

Legal Name	Location	Type
McKinsey Pacific Rim Inc.	Australia	Foreign Branch of a Company
McKinsey & Recovery Transformation Services Australia Co.	Australia	Foreign Branch a Company
McKinsey Australia Holdings Pty Ltd	Australia	Private Company

(collectively referred to as **McKinsey Australia**).

This statement does not include Hypothesis Pty Ltd an Australian Private Company as after its acquisition in early 2021 it has since become a dormant entity.

## Operations

McKinsey & Company is a global partnership which offers management consulting services and provides advice to leading private, public and social sector institutions. We have deep functional and industry expertise as well as breadth of geographical reach. We are passionate about taking on immense challenges that matter to our clients and, often, to the world.

We are also committed to serving our colleagues. We build their capabilities and leadership skills at every level and every opportunity. We do this to help build internal support, get to real issues, and reach practical recommendations. We bring out the capabilities of clients to fully participate in the process and lead the ongoing work. We help our clients make significant and lasting improvements to their performance and realise their most important goals.

At the time of publication of this statement, the companies that comprise McKinsey Australia employ approximately 620 people in Australia and operate from five centres located in Sydney, Melbourne, Perth, Brisbane and Canberra.

Our workforce also includes a small number of staff from outside Australia who have arrived and presently operate on working visas. Given the nature of the services we provide and the professional workforce we employ, we assess the risk of modern slavery or human trafficking in our own organisation to be low.

## Supply Chain / Suppliers

Our supply chain comprises of primarily services, including professional advisory services, travel services and IT services, as well as office supplies.

During the 2022 calendar year, we engaged a range of suppliers and business partners, most of which are based in Australia. The remaining suppliers or business partners were based in predominantly, United States, United Kingdom, Sweden, Germany, and New Zealand.

As part of our Supplier Code of Conduct, McKinsey requires suppliers to fully comply with the applicable legal requirements of slavery, forced labour and human trafficking laws and expects suppliers to enact practices to ensure compliance with such laws.

Higher risk suppliers will be asked about their policies and procedures in place regarding human rights, modern slavery, forced labour, child labour or human trafficking, and whether the company has been in violation of any related offences within the last five years. Our process is to carry out periodic diligence checks to assess changes in a supplier's circumstances at intervals determined by the entity's risk profile.

At this point, McKinsey Australia actively monitors its tier 1 suppliers for modern slavery, that are higher risk (based on geography or services being procured) or high spend (over USD \$100,000 over the relevant period). McKinsey Australia does not as yet have oversight over tier 2 suppliers or beyond but will endeavour to do so through its actions in developing its modern slavery response.

We have analysed our supply chain and understand the largest portion of supplier spend falls in these categories:

- Professional Services
- Travel
- Real Estate
- Facilities

In 2022, we strengthened our supplier 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 assessments conducted through this platform require document verification and review by an independent third party against globally recognised standards and frameworks. Moving forward, based on assessment results, McKinsey may request corrective actions from suppliers to address areas of improvement related to human rights and decent working conditions.

## Risks of Modern Slavery practices in Operations and Supply Chains

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chain or in any part of our business. Our internal policies reflect our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking are not taking place anywhere in our supply chain.

Following assessment of our Australian business operations and supply chain and having regard to the regulated nature of McKinsey Australia's business in Australia, we consider that the overall risk of modern slavery existing within our immediate Australian operations and first tier suppliers is low.

Through our assessment, we categorise modern slavery risks for our business into the following key areas:

- **Local contractor and service arrangements.** Modern slavery risks arise where the services procured for the premises of business services involve exploited forms of work types such as cleaning services, indoor plant maintenance, document production and printing services. Through these arrangements McKinsey Australia is at minimal risk of being directly associated with modern slavery.
- **Suppliers of suppliers (tier 2 suppliers).** McKinsey's supply chain, as with all supply chains, has several tiers and there are certain sectors and industries, products and services, geographic regions and supplier entities which carry a higher risk of modern slavery than others. While McKinsey Australia monitors its tier 1 suppliers with a USD \$100,000 spend and above and higher risk suppliers (based on geography or services being procured), it has less visibility or control of the business practices and operations of the suppliers of its suppliers (tier 2 and beyond). These suppliers may be associated with modern slavery risk.

Through these arrangements McKinsey Australia has some risk exposure to contributing to or being directly linked to modern slavery.

In view of the above, we believe the overall risk is 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).

While the overall level of risk is low, these criteria also enable us to identify where the risk may be higher.

## **Actions Taken and Due Diligence Processes for Slavery and Human Trafficking**

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chain or in any part of our business. Our internal policies reflect our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chain.

We have embedded checks for modern slavery in our routine supplier due diligence process and have raised awareness of these issues with colleagues who manage this supplier vetting process. Further, we deployed a mandatory training program for all colleagues on our procurement team, incorporating information on sustainable procurement fundamentals and expectations of our procurement colleagues related to our Sustainable Procurement and Responsible Buying Policy.

The due diligence process reflects the relative risk for potential suppliers and includes:

- Checks against global sanctions and enforcement databases (for example, OFAC, World Bank Debarment List) and subject to adverse media review to identify risks including human rights abuses, human trafficking, and labour violations.
- Our risk assessment and evaluation of modern slavery during our standard supplier onboarding process is based on criteria such as the country of operation and government response, as assessed by benchmarks such as the Global Slavery Index and Global Report on Trafficking in Persons.
- Those potential suppliers identified as medium or high risk are subject to further vetting and evaluation based on the specific supplier's circumstances. This includes higher risk and higher spend suppliers, who will be asked as part of a questionnaire about their policies and procedures in place regarding human rights, modern slavery, forced labour, child labour or human trafficking.
- As part of our Supplier Code of Conduct, McKinsey requires suppliers to fully comply with the applicable legal requirements of slavery, forced labour and human trafficking laws (including the UK Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018) and expects suppliers to enact practices to ensure compliance with such laws. This Supplier Code was updated to expand the number of human rights and labour-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.
- Supplier onboarding portal in Australia which incorporates an Environmental, Social, Governance (ESG) questionnaire triggered for suppliers from a high-risk country and service category or with expected annual spend of greater than USD \$100,000. In this reporting period, the portal applies to new suppliers being onboarded.

- 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 recognised standards and frameworks.

Globally we conduct periodic due diligence based on the level of risk of active vendors and will include an adverse media scan enabling the Firm to address any new risks identified or previously undetected risks in the supply chain. We also remain committed to continually improving our practices to ensure that there is no modern slavery or human trafficking in our supply chain.

## **Measuring the Effectiveness of McKinsey Australia's Actions**

At this time, McKinsey Australia does not have in place a comprehensive risk assessment frame for assessing the overall effectiveness of its modern slavery response.

McKinsey Australia has, however, relied upon being able to conduct a preliminary rudimentary assessment of its effectiveness based on the following measures:

- The fact no material modern slavery incidents have been identified during the 2022 calendar year.
- Outcomes of whistleblowing hotlines.

## **Consultation, Training and Grievance Mechanisms**

McKinsey Australia entities operate through a centralised procurement and human resources system to minimise risks of Modern Slavery. As a global firm we continue to implement our human rights-related policies and Code of Professional Conduct on an ongoing basis, while supporting these with regular awareness building and training. New colleagues must adhere to the Code and participate in an onboarding session that informs them about our firm's values. Annually, all colleagues must certify they comply with our firm's core policies and complete Professional Standards and Risk training.

Every firm member has the right to raise concerns about values, ethics and professional conduct without fear of retaliation. In addition to clearly defined internal channels, we have a global hotline that allows colleagues to raise concerns relating to potential violations of laws and our firm's policies, professional standards and values in a confidential manner and, where legally permissible, anonymously. We do not tolerate retaliation of any kind against firm members who in good faith report potential or actual ethics or legal violations.

We consult with clients and suppliers in relation to Modern Slavery and work cooperatively to achieve the collective goal of abolishing slavery, forced labour and human trafficking in any form.



We note that while we do own and control one entity, it is dormant and there is no requirement to consult.

## Ongoing Steps

McKinsey does not tolerate slavery, forced labour or human trafficking in any form and expects its suppliers to adhere to the same standards.

Since our last published statement, we have:

- Established a cross-functional Human Rights Working Group to operationalise our approach to human rights due diligence and management, including on modern slavery.
- Continued to use a supplier vetting and onboarding process and technology platform that embeds in its risk assessment an evaluation of modern slavery based on criteria such as the country of operation and government response, as assessed by benchmarks such as the Global Slavery Index and Global Report on Trafficking in Persons.
- Made ongoing updates as necessary to our Supplier Code of Conduct to include new supplier expectations and requirements to align with emerging regulations, including respect for freedom of association, and continue our commitment to sustainable and ethical procurement.
- Updated our Human Rights Statement to align with emerging regulations and our ongoing commitment to human rights.
- Maintained our membership of the World Economic Forum's Stakeholder Capitalism Metrics initiative, reflecting our commitment to increase transparency around how we report on our performance against ESG indicators, including on human rights and modern slavery.
- Maintained our membership of the United Nations Global Compact and participated in the Communication on Progress Questionnaire which demonstrates our progress on the Ten Principles of the UN Global Compact, including on human rights and modern slavery.
- Added a supplementary human rights-specific risk analysis tool and launched collaboration with a third-party supplier assessment platform. The supplier assessments conducted through this platform are reviewed by an independent third party against globally recognised human rights standards and frameworks. Based on assessment results, McKinsey may request corrective actions from suppliers to address any identified risks or ESG improvement areas and confirm completion of the action.
- Made 'Got A Concern?' available to all external parties, including suppliers. 'Got a Concern?' enables both McKinsey colleagues and external parties to confidentially raise concerns about potential misconduct or violations of laws, policies, values or professional conduct. Details of this confidential process are available on the 'Got a Concern?' webpage.

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This statement is made pursuant to Part 2 section 16 of the Modern Slavery Act 2018 and constitutes our modern slavery statement for the financial year ending 31 December 2022. The statement has been approved by the respective boards of each of the companies comprising McKinsey Australia and is signed by the duly authorised Director of each of the companies.



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