

Senate Finance and Public Administration Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
[fpa.sen@aph.gov.au](mailto:fpa.sen@aph.gov.au)

7 July 2023

**McKinsey Pacific Rim, Inc. (McKinsey Australia) Information Provided to the Senate Finance and Public Administration References Committee (the Committee) in Relation to the Inquiry into Management and Assurance of Integrity by Consulting Services (the Inquiry)**

Dear Committee Secretary,

We refer to your letters dated 29 and 30 June 2023 and thank you for the invitation to provide information to the Committee in relation to McKinsey Australia, which operates in Australia under the trading name McKinsey & Company.

McKinsey Australia welcomes the opportunity to provide information to the Committee to assist in its consideration of the matters set out in the Inquiry Terms of Reference (the **ToR**). McKinsey Australia provides this input based on its own experiences and does not purport to speak on behalf of the consulting industry more broadly.

To assist the Committee, McKinsey Australia is pleased to: (1) provide information on key issues relevant to the ToR; and (2) address matters that are the subject of the Committee's questions on notice where it is able to do so without disclosing information or documents that are commercial in confidence, commercially sensitive or contain personal and private information on employees (use of the word employees includes both employees and partners for the purposes of this response, unless otherwise specified).

We set out below our response by reference to the following headings, which reflect the Inquiry ToR:

1. the management of conflicts of interest and measures to prevent conflicts of interest, breach of contract or any other unethical behaviour;
2. enforcement measures taken in response to integrity breaches, such as the inadequate management of conflicts of interest, breaches of contract or any other unethical behaviour;
3. the management of risks to public sector integrity; and
4. the transparency of, and accountability for, work undertaken by McKinsey Australia.

We also provide as Annexures our Explanation of Values (Annexure A) and Code of Professional Conduct (Annexure B).

## About McKinsey Australia

Management consulting services are McKinsey Australia's core business. McKinsey Australia's approach to client service is centred on evidence-based empirical research, fact-based problem-solving, data gathering, and economic analysis. **McKinsey Australia does not provide the following services to clients:**

- tax advice;
- legal advice;
- investment advice;
- accounting;
- audit services; or
- political lobbying.

McKinsey Australia is a part of McKinsey & Company, one of the world's leading providers of business and organisational consulting services. References to "McKinsey & Company" in this response refer to our global practice unless otherwise specified. McKinsey & Company today has more than 45,000 employees globally across 65 countries. McKinsey & Company is led by a global managing partner, an elected board of directors (known as the Shareholders Council), together with a global leadership team, and the leaders of our offices and industry/functional practices.

## McKinsey Australia's Operations

McKinsey Australia has approximately 650 employees in Australia with offices in Canberra, Sydney, Melbourne, Perth, and Brisbane. As of June 2023, we have 69 partners in Australia, each of whom holds equity and receives a salary. None of the McKinsey Australia partners were formerly partners at PwC Australia. Fewer than 20 of our approximately 650 Australian employees previously held non-partner roles at PwC Australia; approximately 50% of these employees held only intern roles (for less than two months). We have been present in Australia for over 50 years, with over 40 nationalities represented in our local offices. We are committed to creating a diverse and inclusive culture.

The activities of McKinsey Australia are reported to the Australian Taxation Office (**ATO**). We are committed to transparency and compliance with Australian tax laws and signed up to the ATO's Voluntary Tax Transparency Code in 2017. We recently completed a combined assurance review under the ATO's 'Top 1000 Tax Performance Program'. McKinsey Australia's combined revenue figures for Australia and New Zealand for the last five years were as follows (in AUD): 2022 – \$413,207,215; 2021 – \$439,955,312; 2020 – \$478,170,797; 2019 – \$459,108,705; and 2018 – \$440,449,298. McKinsey Australia confirms that it did not receive any JobKeeper payments.

We support a diverse range of public sector clients and engagements, including for both the Australian Government and several states and territories. We work alongside senior public sector clients to help them solve some of the most urgent and complex issues of the day. This work is led by a small group of local partners who specialise in and are dedicated to

serving the Australian public sector, and are passionate about contributing to the Australian national interest and helping develop public sector capabilities.

We are proud of the work we do to support the public sector in Australia and of the programs we have strengthened through our independent analyses and advice. We do not advocate for or recommend specific courses of action or decisions on political or public policy issues, but rather provide fact-based analysis and a range of options for consideration by our clients.

We address below our perspectives on the Inquiry ToR.

## **1. Management of Conflicts of Interest and Measures to Prevent Conflicts of Interest, Breach of Contract and Other Unethical Behaviour**

### *McKinsey & Company Values, Code of Professional Conduct and Policies*

McKinsey & Company is a values-driven organisation. Our values guide our actions and policies, including:

- putting client interests ahead of our own interests;
- maintaining high standards and conditions for client services;
- observing high ethical standards;
- preserving client confidences;
- maintaining an independent perspective; and
- managing client and firm resources cost-effectively.

An explanation of our values is publicly available and is attached at Annexure A.

While our values guide our decisions, we have a Code of Professional Conduct (which is publicly available and attached as Annexure B) and policies to establish clear expectations for all employees. These global policies (which apply in Australia) impose obligations and define our rules of conduct in a range of specific and sometimes complex situations. We expect employees to comply with our policies, which often go beyond what is required by law.

Our Code of Professional Conduct highlights each employee's *personal* responsibility for professional conduct and serves as a guide to our values and policies in action. It is supported by the full set of firm policies.

### *Management and Prevention of Conflicts of Interest*

We believe that consultants that operate across both public and private sectors provide valuable expertise to government. The tools and approaches that we use in the private sector and non-government institutions are often relevant to the public sector, and can help departments and agencies identify opportunities to improve decision-making and capabilities, which ultimately delivers better outcomes for Australians. Our public sector clients often explicitly seek this expertise and experience in their evaluation criteria for tenders. We proactively address any potential for conflict at the organisational or individual level on each engagement in accordance with the requirements of our client contracts and policies.

For example, when deemed necessary following discussions with the client, we also adopt a specific set of agreed protocols. In some instances, we may decline to accept or pursue engagements in the public sector if an organisational conflict of interest cannot be mitigated.

For each engagement, we deploy staffing procedures designed to avoid potential conflicts of interest. We assess potential conflicts by determining whether the business interest in question would cause a reasonable person with knowledge of the relevant facts to question the impartiality of McKinsey Australia's work. Our policies prohibit employees who have acquired confidential information about a client from serving another client if to do so with knowledge of that confidential information could materially prejudice the interests of the first client. That determination is fact-specific and involves consideration of the industry, the nature of the engagement, the anticipated role of the employee, and the information gathered over the course of our work. These policies apply to all McKinsey Australia employees, regardless of seniority.

The following McKinsey & Company policies applicable in Australia are also relevant:

- Our **Client Conflict and Confidentiality Policy**, which requires all employees to declare perceived personal conflicts (including personal investments, relationships and outside activities). It makes clear the importance of client confidentiality and strictly prohibits the sharing or use of client confidential information with other clients. Among other things, it sets out guidelines on how to manage perceived organisational-level conflicts of interest, including considering information exposure, role, client and third-party perceptions and contractual restrictions. There are further restrictions and safeguards for approval in relation to specific industries. We outline the approvals required specifically for public sector engagements below.
- **Personal Investment Policy**, which prohibits employees and members of their households from purchasing or selling single name publicly traded securities. In addition, employees are prohibited from holding an investment in a non-public company that they serve or making an investment that creates a conflict of interest for McKinsey Australia or themselves. Employees are also prohibited from using client confidential information for any reason other than the service of that client. Such information cannot be used for personal or political ends, or in service of a different client.

In our engagements with the Australian Government:

- we make declarations on conflicts in our tender submissions and in accordance with our contracts; and
- where required, we have employees separately agree and attest to their individual conflicts with our clients.

#### *Preventing Breaches of Confidentiality*

We approach client service with the knowledge and recognition that our consulting services often require us to work with our clients' most sensitive, confidential, and competitively important information. The protection of the information entrusted to us is, therefore,

a fundamental value at McKinsey Australia and McKinsey & Company globally and forms the backbone of our approach to addressing and avoiding potential conflicts of interest in our work.

We have developed – and we continuously seek to strengthen – a comprehensive set of policies and procedures designed to maintain client confidences and protect client data and information. These include:

- **Code of Professional Conduct**, which limits the sharing of client confidential information to employees with a legitimate need to know and who are authorised to access the information, and requires employees to adhere to our cybersecurity standards to protect clients' data from unauthorised external access;
- **Proprietary and Confidential Information Agreement**, which obliges all McKinsey Australia employees to maintain client confidences and protect clients' sensitive data and information; and
- **Use of Name Policy**, which provides that the names of McKinsey Australia clients, the topics on which McKinsey Australia consults and the advice McKinsey Australia provides will not be disclosed by McKinsey Australia unless those confidentiality commitments are superseded by a legal obligation or mutual agreement between McKinsey Australia and our clients (for example, where open government transparency requirements apply).

In Australia, we have a dedicated security officer to verify that employees staffed on Australian Government engagements have the relevant security clearances and understand their relevant obligations and heightened security/confidentiality requirements. We have employees enter into confidentiality agreements (which impose potential personal liability) if required by our Australian Government clients.

#### *Client Service and the Assessment of Risk*

We carefully consider the engagements that we take on. The McKinsey & Company Client Service Policy (which is applicable in Australia) requires partners to systematically assess client engagements across five interrelated dimensions: Country, Institution, Topic, Individual, and Operational considerations (the **CITIO** framework). The CITIO framework ensures that we take a consistent and comprehensive approach to evaluating the clients we serve, on which topics we serve, and the effects of our work. We routinely limit or decline potential engagements based on our CITIO evaluation of potential clients and engagements.

We follow additional rules governing our engagements in the public sector:

- the responsible partner must register every engagement in a centralised online tool, known as Engage;
- the responsible partner must conduct an initial risk assessment in accordance with the CITIO framework. This assessment is then checked and endorsed by a senior partner;
- every matter must be the subject of independent risk and legal review. Where the independent risk review determines that further consideration is required, the matter is then referred to our Client Service Risk Committee (**CSRC**); and

- all employees staffed on these engagements must undertake a digital training module on public sector risks and be familiar with our policies.

The CSRC is a global committee of senior leaders, supported by risk, legal, and communications professionals, which provides advice and decisions on the most complex risks that we face in our client service. These leaders provide independent supervision of our decisions in relation to client service, including the imposition of appropriate “guardrails” to address risk. These guardrails are periodically audited by our internal compliance team to verify that they are adhered to.

Where the CSRC determines that the work cannot be conducted in a manner consistent with our values and policies, McKinsey Australia declines the engagement.

As McKinsey & Company continues to grow, and the global and regional environments in which it and its clients operate increase in complexity, we recognise that we must continue to evolve and strengthen our approach to governance and client service. Over the past five years, McKinsey & Company has spent nearly \$700 million on strengthening our risk management teams, capabilities, and processes, including our risk, legal, and compliance functions. Our General Counsel, Chief Ethics & Compliance Officer and Chief Audit Officer all have decades of public company experience across different industries.

#### *Workplace Conduct*

We have a Workplace Conduct Policy, which addresses (among others) issues of bullying, harassment, discrimination, and violence in the workplace. McKinsey Australia expects anyone who observes any conduct or activity that they believe may be inconsistent with laws, our policies, or our values to speak up. McKinsey Australia strictly prohibits retaliation against anyone for reporting or inquiring in good faith about what they believe to be wrongful or unlawful activity, or for participating in an investigation or proceedings related to such activity.

#### *Other Accountability and Training Measures*

Our accountability and training measures include the following:

- We have established an external advisory group of leaders to offer an external perspective on our approach and to serve as a sounding board for our efforts at ongoing and continuous improvement. This group comprises a rotating membership of senior leaders from across business and society, all with significant board and chair experience.
- We have designated select senior partners as responsible for enhancing risk management within their area of specialty. These senior partners provide an independent assessment of risk and help ensure compliance with our processes.
- We have annual training on our policies, which requires employees to attend mandatory eLearning training on confidentiality policies and practices, and to pass an assessment testing their knowledge and understanding. It is mandatory for employees to undertake eLearning modules on confidentiality annually.
- We require employees to certify annually that they will uphold our policies. We have a dedicated Professional Standards team to help train and provide guidance on our professional policies and practices.

- Our Australian Government clients may perform audits of our engagements to verify compliance with our obligations.

## **2. Enforcement Measures Taken in Response to Integrity Breaches, such as the Inadequate Management of Conflicts of Interest, Breaches of Contract or any other Unethical Behaviour**

McKinsey Australia insists that all employees understand our policies. Failure to comply with our policies may result in disciplinary action, up to and including termination of employment.

There are several mechanisms in place for the reporting and escalation of concerns, potential policy violations or values breaches within our organisation these include:

- direct reporting through the line of accountability to the responsible partner and the senior partner;
- reporting through alternative internal channels (such as our risk, legal and compliance functions); and
- reporting through confidential channels (such as our hotline which is hosted by NAVEX, an external service provider and available to third parties).

Our policies ensure that those who raise concerns are protected from retaliation. There are committees and processes in place for the investigation of concerns raised and a range of sanctions, including termination of employment. We have a dedicated committee charged with investigating and adjudicating any alleged misconduct by our partners, which reports to the Shareholders Council.

There have been no misconduct cases lodged against any McKinsey Australia partners in the past five years.

In the past five years, there have been:

- no independent external inquiries into misconduct, internal culture or human resource related/employee experience;
- no formal complaints of bullying;
- no formal complaints of sexual harassment; and
- no non-disclosure agreements entered into in relation to any such allegations.

In the past five years, there has been one formal complaint of discrimination by a former employee.

McKinsey Australia has conducted three formal internal reviews into employee misconduct over the past five years (two related to employee behavioural issues and one related to an expense violation).

There have been no disciplinary actions in relation to conflicts of interest and/or misuse of Australian Government information in the past five years. We have not had any of our

Australian Government contracts suspended or terminated for material breach in the past five years.

### **3. Management of Risks to Public Sector Integrity**

The ways we manage risks to public sector integrity include the following:

- All of our employees are subject to onboarding and screening checks to verify they are of good standing, including background checks that are AS-4811 equivalent compliant.
- We do not have any secondment agreements in place with the Australian Government and have not seconded any employee into a state or Australian Government role in the past five years.
- We have a policy against McKinsey Australia providing cash donations to political parties. McKinsey Australia is politically neutral and does not serve political parties, political advocacy groups, or individual politicians' offices; nor do we take part in political advocacy or lobbying on behalf of our clients. Cash donations to political parties may be made by individual employees only in a personal capacity, subject to applicable rules and regulations and democratic rights. No annual amount is budgeted for political donations and no cash donations were made by McKinsey Australia in 2022/23.
- We have a set of public sector risk management checks that must be completed prior to any engagement commencing. As explained above, these checks include:
  - identifying and declaring any perceived or real conflicts of interest associated with the client engagement;
  - registering the engagement in a centralised tool;
  - conducting an initial risk assessment in accordance with our CITIO framework that is then reviewed and endorsed by a senior partner;
  - conducting independent risk and legal review and referral where required to CSRC; and
  - requiring that all employees staffed in these engagements have undertaken a digital training module on public sector risks and are familiar with our policies.

#### **4. Transparency of and Accountability for Work Undertaken by McKinsey Australia**

The Australian Government is subject to the Public Governance Performance and Accountability (PGPA) Act and Commonwealth Procurement Rules (CPRs) to ensure transparency and accountability in government spending. In order to meet these requirements, the Australian Government has set up a number of long-term panel arrangements to procure services, including consulting services. To qualify to provide consulting services to the Australian Government, McKinsey Australia tendered for inclusion in these panel arrangements, which involved a highly detailed pre-qualification process. Having been selected for inclusion, we are subject to ongoing stringent, multi-year compliance obligations. Once on a panel, no engagements are guaranteed, and McKinsey Australia competes for individual engagements as they arise.

Please see the AusTender website that provides full transparency on these panel arrangements and the contracts awarded under them. In the past five years, McKinsey Australia has not been terminated or suspended for breach of any individual Australian Government contract or panel arrangements.

Despite being pre-qualified under Australian Government panels, every engagement undertaken by McKinsey Australia must still go through our internal approval processes detailed in sections 1 and 3 above.

Thank you for the opportunity to provide this information about McKinsey Australia to the Committee.

Yours sincerely,

McKinsey Pacific Rim Inc.

**Annexures**

<b>No.</b>	<b>Title</b>
A	Explanation of Values
B	Code of Professional Conduct

# Our purpose, mission, and values

To help our clients make distinctive, lasting, and substantial improvements in their performance and to build a great firm that attracts, develops, excites, and retains exceptional people.

We are a values-driven organization. Our values reflect the thinking of our founder, James O. McKinsey, and Marvin Bower, managing director from 1950 to 1967, who was a major force in shaping the firm. Our values have been updated in small ways to reflect the changing times. They inform both our long-term strategy as a firm and the way we serve our clients on a daily basis. We put aside one day a year to reflect as a group on what our values mean to both our work and our lives.

## Our purpose

To help create positive, enduring change in the world.

## Our mission

To help our clients make distinctive, lasting, and substantial improvements in their performance and to build a great firm that attracts, develops, excites, and retains exceptional people.

# Our values

## Adhere to the highest professional standards

- put client interests ahead of our firm's
- maintain high standards and conditions for client service
- observe high ethical standards
- preserve client confidences
- maintain an independent perspective
- manage client and firm resources cost-effectively

## Improve our clients' performance significantly

- follow the top-management approach
- pursue holistic impact
- use our global network to deliver the best of our firm to all clients
- bring innovations in management practice to clients
- build client capabilities to sustain improvement
- build enduring relationships based on trust

## Create an unrivaled environment for exceptional people

- be nonhierarchical and inclusive
  - sustain a caring meritocracy
  - develop one another through apprenticeship and mentoring
  - uphold the obligations to engage and dissent
  - embrace diverse perspectives with curiosity and respect
  - govern ourselves as a “one firm” partnership
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## OUR HISTORY



### History of our firm

Learn more about McKinsey's nine decades of impact.



## Our Code of Professional Conduct

See how we bring our values to life for our colleagues and clients.

# Living Our Values: McKinsey Code of Professional Conduct

Our **values** define who we are as a firm and who we aspire to be.

They provide the guiding principles that shape our actions and are essential to fulfilling our two-part mission to: **help our clients make distinctive, lasting and substantial improvements in their performance and to build a great firm that attracts, develops, excites and retains exceptional people.**

We expect all colleagues to live our values every day. And when faced with a difficult situation we expect everyone to challenge themselves, and to consult with colleagues, to determine what course of action would be most consistent with our values.

While our values guide our behavior and help us to make the right choices, we also have firm **policies**. These policies establish our obligations as members of the firm and define the rules of conduct in a range of very specific, often complex, situations. They apply to all firm members globally, and we expect all colleagues to comply fully with these policies. We hold ourselves to the highest standards of integrity and behavior, and consequently, our policies often go well beyond what is required by law. **Failure to comply with our policies may result in disciplinary action including termination of employment.**

Finally, we have this, our **Code of Professional Conduct**, which defines a set of expectations for the behavior of all firm members. The Code of Professional Conduct does not replace our policies. Rather, it serves as a guide to help colleagues understand the core elements of our policies and how those policies are anchored in our values.

The Code of Professional Conduct highlights our **personal** responsibility for professional conduct. We expect all colleagues to comply with this Code of Professional Conduct and we expect others working on our behalf, such as contractors, advisors and other suppliers, to act in a manner that is consistent with our Code.

# Our code of professional conduct

Our Code of Professional Conduct serves as a guide to our values and policies in action and outlines the expectations we have for all firm members in the areas of:

- 1. Serving our clients with the highest professional standards**
- 2. Creating a working environment that inspires and motivates our people**
- 3. Fulfilling our responsibility to society**
- 4. Managing risk to the firm**
- 5. Seeking advice and raising concerns**

The McKinsey Code of Professional Conduct is supported by the full set of firm policies.

# 1. Serving our clients with the highest professional standards

We are privileged to have the trust of the clients that we serve, and we earn that trust by always acting with the highest integrity; by providing objective and independent advice; by putting our clients' interests ahead of our own; and by protecting our clients' confidential and sensitive information. We expect all colleagues to act at all times in ways that justify and reinforce the trust in which we are held.

## **Client impact**

As a firm, we set a high aspiration for the positive impact we have through our client service. We will only undertake work where we can be confident that the objectives of the work are to bring material, positive and lasting impact; that the impact of our work has the potential to far exceed our professional fees; that we will not be pressured to compromise our values; and that we will be keeping faith with our commitment to do work that attracts, develops, excites and retains exceptional people. We are committed to delivering impact to the best of our abilities to all our clients and we hold our leaders accountable for that impact. We expect our leaders to oversee our work, ensure that the conditions for impact are in place, and to bring our best capabilities to every situation. All colleagues have the obligation to speak up if they feel that our ability to deliver on these aspirations for impact is compromised.

## **Client confidential information**

In the course of our work we are entrusted with client and third-party confidential information and we take exceptional care with the information that has been entrusted to us. Client confidential information is all non-public information (written or oral), including business plans and trade secrets, client names, the nature of our client services, our recommendations or advice, client data, and information we purchase at our clients' expense. We only share client confidential information with colleagues who have a legitimate need to know, or those we know are authorized to access the information. In their use of social media, we expect colleagues to safeguard client confidential information, including anything that could reveal a client's identity or our presence there. Colleagues are also expected to ensure that our clients' data and the firm's data environment is protected from unauthorized external access by adhering to the cyber security standards as described in the firm's cyber policies.

## **Professional independence**

We must avoid engaging in outside activities that could interfere with our responsibilities to our clients and the firm. It is incumbent on each of us to ensure that there is never any confusion about whether we are acting in our capacity as a member of the firm, or in some other role. Therefore, firm members are restricted from undertaking employed work outside the firm, and may not operate or actively manage a business, run for political office, or accept an official role in a political campaign. In addition, firm members are restricted from sitting on the board of directors of any for-profit company, whether privately held, publicly listed, or state owned, and must gain clearance prior to accepting membership on non-profit Boards to ensure no conflicts exist with our clients. Interim roles in client organizations are permitted only under a very limited set of circumstances and only when cleared by the firm's Client Service Risk Committee. All firm members are required to disclose any potential conflicts of interest, whether real or perceived, and to consult with relevant firm leaders and governance bodies on how best to handle the situation.

## **Misuse of client information**

To ensure that there is no risk of insider trading, firm members and members of their households are prohibited from purchasing or selling publicly traded securities (including securities issued by state, local, or municipal government entities in the US) of any firm client and are required to pre-clear purchases and sales of any publicly-traded securities. In addition, firm members are prohibited from holding an investment in a non-public company that they serve or making an investment that creates a conflict of interest for the firm or themselves. Firm members are also prohibited from using client confidential information for any reason other than the service of that client. Such information cannot be used for personal or political ends, or in service of a different client.

## **Client resources and assets**

We expect colleagues to treat client assets, including facilities and equipment, with respect, and to spend only what is necessary to perform our work to the highest standard.

## 2. Creating a working environment that inspires and motivates our people

We attract, develop, and seek to excite and retain, truly exceptional people. We do this through the opportunities for impact, growth, and development we provide; by providing a work environment in which our people feel respected, and can thrive, grow, and be their best; and by maintaining a caring meritocracy.

### **Inclusion, diversity and a safe and respectful work environment**

We value an inclusive culture and celebrate diversity of all types. Diversity in our teams improves the creativity of our thinking, the quality of our work, and the development experience for our people. We expect every colleague to hold themselves and each other accountable to ensure a working environment that celebrates the benefits of diversity and one in which everyone is treated with respect and dignity, feels welcomed and safe, and can grow, develop, and perform their best work. We do not tolerate discrimination, harassment, or bullying in any form. Our expectations of behavior extend to all interactions within and beyond the office environment including team, practice, and office events, and via electronic communications.

### **Our meritocracy**

We require all colleagues to uphold both the reality and the perception of our meritocracy and to do so in a caring way, with respect, dignity, and empathy. Our individual evaluation processes – which are critical to our meritocracy – are holistic and confidential, and all colleagues are expected to contribute to these with candor. Attempts to subvert our evaluation processes runs counter to our values. Any hiring, including for temporary positions or for the provision of external services, must comply with firm processes and be based solely on merit. Favoritism, or the perception of favoritism, represents a risk to our meritocracy and as such, we prohibit personal romantic, physical, or familial relationships between firm members who are in any kind of supervisory relationship or are actively working together. We likewise prohibit the hiring of children of firm Partners. Colleagues are expected to declare where they have a personal relationship that may interfere with our meritocracy or create any other conflict of interest.

### **Our colleagues' personal information**

We handle our colleagues' personal data fairly and with respect and will only collect personal data for specific, explicit, and legitimate purposes, and limit the data collected to only what is necessary for the purpose for which it was collected.

# 3. Fulfilling our responsibility to society

As a firm, we are committed to positive social impact. We help address societal challenges in the way we conduct ourselves in the course of our business; through our engagement in our communities; and in the investments we make to support significant and lasting impact on pressing social issues.

## **Societal impact of our activities**

In the course of client service, colleagues are expected to think broadly about the impact of our work on our clients' multiple stakeholders, to help our clients to be mindful of their social impact, to actively debate the impact of our recommendations on shareholder, customer, and societal interests, and to always act in a manner that is consistent with relevant laws and regulations. We encourage colleagues who wish to give back to their communities – for example, by participating in volunteering, non-profit board service, and charitable giving. Firm members are, however, not permitted to run for political office or accept an official role in a political campaign.

## **Human rights**

We are committed to human rights and comply with all human rights laws. Our commitment to human rights informs whom we serve and on what topics, and we will not do work that supports or enables human rights violations. We do not tolerate physical violence, threats, bullying, or verbal abuse of any kind in the workplace, whether in our own or our clients' locations. We require suppliers to comply with McKinsey's Supplier Code of Conduct which prohibits all forms of forced labor, child labor and human trafficking, and requires compliance with all laws regarding discrimination, harassment and retaliation.

## **Environment**

McKinsey is committed to minimizing the impact our firm has on the environment and we seek to continually strengthen our environmental policies and practices. We are making efforts to manage, and reduce, our global greenhouse-gas emissions and our waste footprint. We expect colleagues to take into consideration the environmental impact when making choices about how they work. This includes reducing emissions from travel, where possible, minimizing waste, and increasing recycling at McKinsey locations and client sites.

## **Competition and trade**

We are committed to promoting free, fair and competitive markets, and compete on the quality and impact of our work. We abide by international trade regulations that prohibit or restrict trade with certain countries, organizations, or individuals. Further, all colleagues must comply with all relevant laws, regulations, and internal policies relating to anti-trust, fair competition, anti-money laundering, funding terrorist organizations, and trade controls.

## 4. Managing risk to the firm

We have the trust not only of the clients that we serve, but also of the communities in which we operate and of the talented people who join our firm. That trust, and our reputation for integrity and independence, is precious – our ability to have impact for our clients, provide opportunities for our people, and contribute to the economies and societies in which we live and work, depends on it. All colleagues therefore, are expected to act at all times to proactively manage risks to the firm and to build and protect the firm's reputation.

### **Corruption, bribery, gifts, and entertainment**

We will not participate in any form of corruption and we have an obligation to inform our clients if we encounter actual or perceived corruption in their organizations. Firm members, and anyone acting on our behalf, must not offer gifts or favors to gain any form of advantage for ourselves, our colleagues, or any third party. Nor can we accept gifts that are intended to influence us, and we do not give preferential treatment in our merit-based hiring processes. We must avoid both the reality and the perception of improper influence and should therefore also avoid entertainment which could be perceived as inappropriate or excessive.

### **Higher risk client service situations**

The firm has identified a number of client service situations that require colleagues to follow specific additional requirements to manage risks to clients, our firm, and our people. These include analytics, M&A, Public, Social or State-linked Sectors, Pharmaceutical and Medical Product Compliance, Purchaser-Supplier engagements, restructuring and bankruptcy, compensation, software application delivery and support, work requiring interaction with regulators, and work conducted in partnership with third parties. Approval from the Client Service Risk Committee (CSRC) is required before committing to work in these areas, and colleagues undertaking this work are required to be familiar with the specific policies covering these areas, to undertake all required training, and to comply with requirements to engage appropriate experienced practitioners to oversee the work.

### **Social media and the press**

All colleagues are expected to present themselves professionally on social media. Even in the use of private social media accounts, we expect colleagues to be mindful of the perceptions that can be created.

Regardless of whether a colleague is speaking for the firm, or simply using social media for personal use, we expect colleagues to maintain both client and firm confidentiality, and to protect the firm's reputation. Colleagues must not present their personal political views in ways that could compromise the firm's reputation for political neutrality. All external publication and communication with the press requires approval by firm External Communications and colleagues are required to complete media training prior to any interview with journalists or bloggers.

### **Data security and protection**

All colleagues are required to protect the firm's data and its data environment from unauthorized access. All digital deployments by the firm including applications, platforms, technology and third-party products, must conform to approved standards to ensure that confidential information is protected by strong security controls. Any exceptions must be approved by the Cyber Risk team and colleagues who are uncertain about the security of a system or technology should e-mail for help.

### **McKinsey resources and assets**

We expect colleagues to be thoughtful in how they use firm resources and protect the firm's information and assets. McKinsey assets, including proprietary information, software, frameworks, tools and methodologies, must be used only in accordance with firm policies and for firm-related activities. Colleagues may not use McKinsey resources such as e-mail distribution lists for political purposes, for soliciting investments, or for other personal interests. We expect all colleagues to be fiscal stewards of the firm, to fully and consistently comply with our expense policies, and to reflect on how their use of resources would be perceived externally and by their colleagues.

### **Accurate records**

We maintain accurate records for the appropriate length of time to enable us to comply with all relevant laws and regulations. It is explicitly against our policy to maintain firm or client records outside of the firm's systems, or to destroy, falsify or alter records that are required to be maintained (for example, in the context of an investigation). Colleagues are expected to file any required firm records, such as expense reports and timesheets, accurately and in a timely way.

**Working with third parties**

We partner with other firms and engage individuals, including Senior Advisors, from outside the firm to bring the best to our clients and the firm. These relationships are increasingly important enablers of our impact and innovation. At the same time, working with other organizations and individuals raises potential financial, legal and reputational risks. These situations therefore require additional syndication and expert advice. All colleagues are required to ensure that any third-party partnering with the firm or delivering services to the firm is appropriately vetted, and to comply with our consulting intermediaries, external workers and partnering policies.

# 5. Seeking advice and raising concerns

Not every situation can be neatly captured in a policy or code of conduct, and colleagues should always seek advice when faced with a difficult situation, or whenever they are unsure of the correct course of action.

If a colleague observes something they believe may be inconsistent with our values, our policies, or this Code, could put the firm or an individual colleague at risk, or may be against the law, they have an obligation to speak up.

Colleagues in any kind of supervisory position, for example Partners or Managers, have an additional obligation to report anything that could be a violation of our Ensuring an Environment Free from Harassment or Discrimination Policy.

The firm does not tolerate retaliation against a colleague who in good faith raises a concern about any aspect of professional conduct, or who fulfills their obligation to participate honestly in a firm or external investigation. **Retaliation in any form is a violation of policy and may result in disciplinary action, including termination of employment.**

The following resources are available to all colleagues to seek advice, ask a question or raise a concern.

## Advice from a colleague

Our aspiration is that colleagues feel comfortable seeking advice or raising concerns directly with a firm colleague. Examples of colleagues who may be able to help address your concern include:

- The ED or other leader of your client service team
- Your DGL, Office Managing Partner, cell leader, supervisor, or department manager
- Your Regional People Leader, PD or HR
- The firm's Chief Risk Officer, Chief People Officer, or General Counsel
- The firm's [Global Ethics](#) department
- Any member of the firm Legal department
- For concerns related specifically to the behavior of a Partner or Senior Partner:  
Chair of the Professional Standards Committee, Leader of Legal and Partner Personnel, or Chief People Officer

- For concerns related to client service:  
Any member of the Client Service Risk Committee (CSRC) or our Director of Risk

## Hotlines

We recognize there are times where colleagues may feel the need for an opportunity to raise a concern or ask a question without coming forward directly to a colleague. For those instances, we have established hotlines, as an alternative vehicle for colleagues to use.

You may ask a question or raise a concern through an internal link, which is hosted by an external service provider to keep the information confidential, to the extent permitted by law.

## Ombuds

The Firm Ombuds are available to all Firm members to provide informal, confidential advice and support. Our Ombuds will not direct you on what to do, act on anything you discuss, or (except if they believe there is immediate safety risk) escalate your situation to others inside or outside the firm. Because of this, the Ombud cannot take action to address any questions or concerns you may have. If you are aware of a potential breach of our Values, professional standards, policies, or the law, please raise it through one of the methods listed above so the firm can review it and take appropriate action.

# Conclusion

Our Code of Professional Conduct highlights that each of us has an obligation to maintain the highest professional standards in our client service; create an environment in which our people are respected, inspired and motivated; consider the wider implications of our actions on society; and uphold the firm's reputation.

We are each responsible for applying the standards outlined in this code, and of taking the responsibility to speak up and voice any questions or concerns related to possible violations of this code, of our values, our policies, or the law.

Following this code will allow us to truly live up to our values, fulfill our dual client service and people mission, and continue to earn the trust of the clients we serve and the communities in which we live and work. Our collective aspirations for positive impact in the world depend on that trust and therefore on us living by the behaviors highlighted in this Code of Professional Conduct.

**Adopted: May 11, 2019**

**Updated: January 2021**

This Code of Professional Conduct is intended to be a living document. The Risk, Audit and Governance Committee of the Shareholders Council is responsible for periodically refining and updating the content of this Code.

To provide input or suggestions to improve this Code of Professional Conduct please see the firm's intranet.