McKinsey
& Company

Carbon Reduction Plan

McKinsey & Company, Inc. United Kingdom

September 2024

Carbon Reduction Plan

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1. Commitment to achieving Net Zero

McKinsey & Company, Inc. United Kingdom, is committed to **reaching Net Zero emissions by 2050 in line with latest climate science** and has been compensating for unabated emissions through purchasing carbon credits **since 2018**. McKinsey has submitted its 2050 net zero target to the SBTi for validation.

McKinsey & Company's Net Zero target is set by the firm at a global level and applies to all of McKinsey & Company's operations world-wide ("McKinsey"). McKinsey supports the UN Sustainable Development Goals and the Paris Agreement to reduce greenhouse gas (GHG) emissions and promote global security. Moreover, McKinsey is a participant in the UN Global Compact. McKinsey is continually strengthening McKinsey's environmental policies and practices, which address reducing GHG emissions, waste, and water usage across McKinsey's entire operation globally.

Building upon McKinsey's previous commitments to climate action in accordance with UN Sustainable Development Goal 13, McKinsey has set validated near-term science-based targets (SBTs) for 2025 to reduce its GHG emissions. For McKinsey's remaining footprint, McKinsey will remove carbon from the atmosphere through a mix of nature-based and technology-based solutions – and plans to reach science-based Net Zero emissions by 2050 across McKinsey's offices globally. During McKinsey's transition to Net Zero, McKinsey will continue to compensate for all of McKinsey's emissions (which it has done since 2018), including those from travel, by procuring carbon credits certified to international standards. More information on McKinsey's global Net Zero commitments is available at:

https://www.mckinsey.com/about-us/environmental-sustainability

2. Baseline Emissions Footprint

Baseline emissions are a record of the greenhouse gases that have been produced in the past and were produced prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reduction can be measured.

Baseline Year: 2019
Additional Details relating to the Baseline Emissions calculations
As part of McKinsey's environmental footprint strategy, McKinsey measures, minimizes and reports on the firm's environmental footprint, including undertaking rigorous annual measurement and third-party verification of McKinsey's emissions. McKinsey's reporting includes absolute emissions and intensity metrics by scope, by source and by region, compares McKinsey's performance to previous reporting periods and tracks progress against McKinsey's targets. McKinsey's greenhouse gas (GHG) emissions are calculated in line with the GHG Protocol. McKinsey's methodology follows best practices, such as using internationally accepted conversion factors, covering all material emission sources in the footprint and including radiative forcing in emission factors for air travel. McKinsey's 2019 GHG footprint was independently verified under the ISO 14064-3 standard, and we moved to AICPA limited assurance standard from 2022 onwards. • Scope 1 encompasses direct emissions, including those associated with the direct consumption of natural gas, heating oil, and diesel fuel as well as the emissions associated with owned and leased vehicles and fugitive emissions. Scope 1 emissions are mainly calculated based on volumes of consumed fuels in each region of operations. • Scope 2 encompasses indirect emissions, including those associated with the purchase and consumption of local electricity and distinct heating energy. Scope 2 emissions are mainly calculated based on volumes of purchased and consumed electricity and heating energy in each region of operations. • Scope 3 encompasses other indirect emissions, such as business travel, emissions from extraction of fuels and production of purchased goods and services (including cloud services and video conferencing), vehicles not owned or controlled, outsourced activities, employee commuting (including teleworking), and waste disposal. Scope 3 emissions are mainly calculated based on mileage (air travel and ground transportation), stay duration (hotels), energy consumption (upstream emissions from purchased fuels and electricity), spend (purchased goods and outsourced activities), technology usage (cloud services and video conferencing), estimates of employee travel and home energy consumption (employee commuting and teleworking), and industry benchmarks (waste disposal). The Scope 3 figures reported in this CRP include only the following sources of emissions as per the Technical Standard guidance: upstream transportation & distribution; waste generated in operations; business travel; employee commuting; and downstream transportation and distribution. Please note that in 2023, we made several database and process improvements leading to an increase of our 2019 baseline numbers. We resubmitted our updated 2019 baseline to the SBTi and are including updated emission footprints for 2019–22 in this report. These updates reflect improvements in our air travel data feed provided by our travel management company, as well as process improvements including transitioning to a central, digital carbon accounting platform

The 2019 baseline and 2023 GHG footprint relates to the McKinsey & Company, Inc. United Kingdom activities only and are a subset of the total GHG footprint of McKinsey's global activities. More information is available at: https://www.mckinsey.com/about-us/environmental-sustainability	
Baseline Year emissions:	
EMISSIONS (2019)	**TOTAL (tCO_2e)**
Scope 1 Direct GHG emissions	178.1
Scope 2 Energy indirect emissions	0.0[1]
Scope 3 Other indirect emissions **(Included Sources)**	32,519.5[2]
Total Emissions	32,697.6

3. Current Emissions Reporting

Reporting Year: 2023	
EMISSIONS (2023)	**TOTAL (tCO_2e)**
Scope 1 Direct GHG emissions	0.0[3]
Scope 2 Energy indirect emissions	0.0[4]
Scope 3 Other indirect emissions **(Included Sources)**	23,224.0[5]
Total Emissions	23,224.0

1 Scope 2 figures reported in this CRP reflect that the McKinsey London office has been powered by 100% renewable energy since 2019.

2 Scope 3 figures reported in this CRP include only the following sources of emissions as per the Technical Standard guidance: upstream transportation & distribution; waste generated in operations; business travel; employee commuting; and downstream transportation and distribution.

3 The 100% reduction in Scope 1 emissions has been achieved by transitioning to renewable energy sources for office heating

4 Ibid 1

5 Ibid 2

4. Emissions reduction targets

In order to continue our progress towards achieving Net Zero, we have adopted the following **firm-wide carbon reduction targets that apply to all of McKinsey's operations, including McKinsey & Company, Inc. United Kingdom**.

McKinsey is committed to **reducing absolute Scope 1 and 2 GHG emissions 25% by 2025** from a 2019 base year. McKinsey is also committed to **reduce Scope 3 GHG emissions from business travel 35% per employee** over the same timeframe (updated Scope 3 target with SBTi for validation).

Total GHG emissions[6] related to **McKinsey & Company, Inc. United Kingdom** have decreased by 9.5 thousand tCO_2e over 2023 from the 2019 base year. This is a reduction of ~29.0% in total emissions and represents reductions of ~100% and ~28.6% in Scope 1 and 2 emissions and Scope 3[7] emissions, respectively.

The 100% reduction in Scope 1 emissions has been achieved by transitioning to renewable energy sources for office heating and the reduction in Sope 3 emissions stems primarily from reduced business travel intensity due to adoption of hybrid working model post COVID-19 pandemic. Although, business travel has now begun to rise again but it still remains below 2019 levels.

McKinsey's firm-wide SBTs to reduce McKinsey's GHG emissions by 2025 are in line with a 1.5-degree pathway, the most ambitious goal of the 2015 Paris Agreement.

6 Ibid 2

7 Ibid 2

Progress against McKinsey's global carbon reduction targets can be seen in the charts below.

GHG emissions figures displayed in the chart 1 are **gross emissions, i.e., the figures do not reflect the use of any offsets.**

Chart 1: Scope 1 and 2 GHG emissions
(Absolute gross emissions; Global; Target vs Actual)

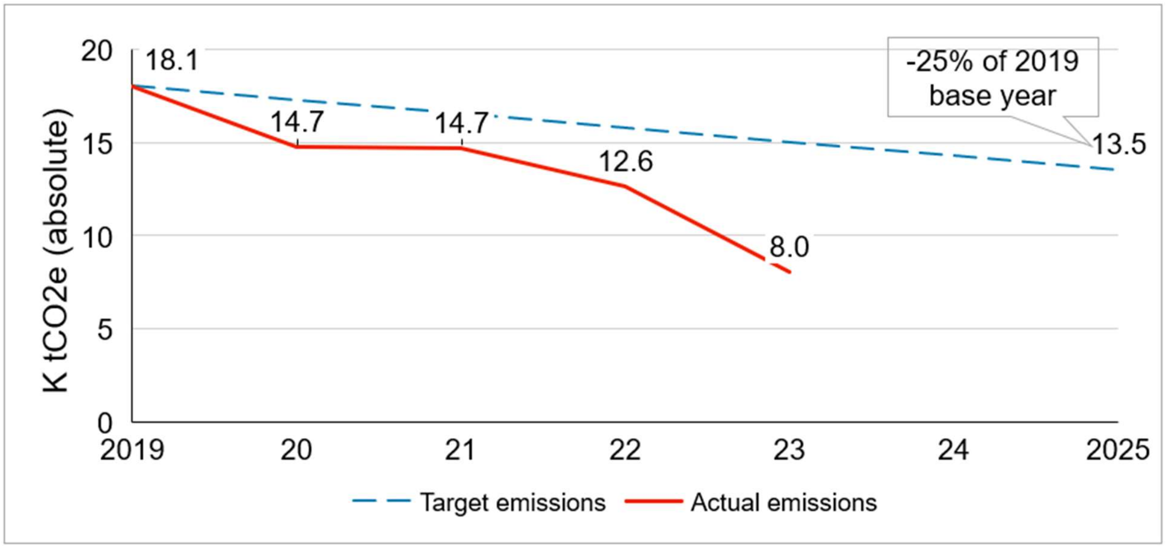
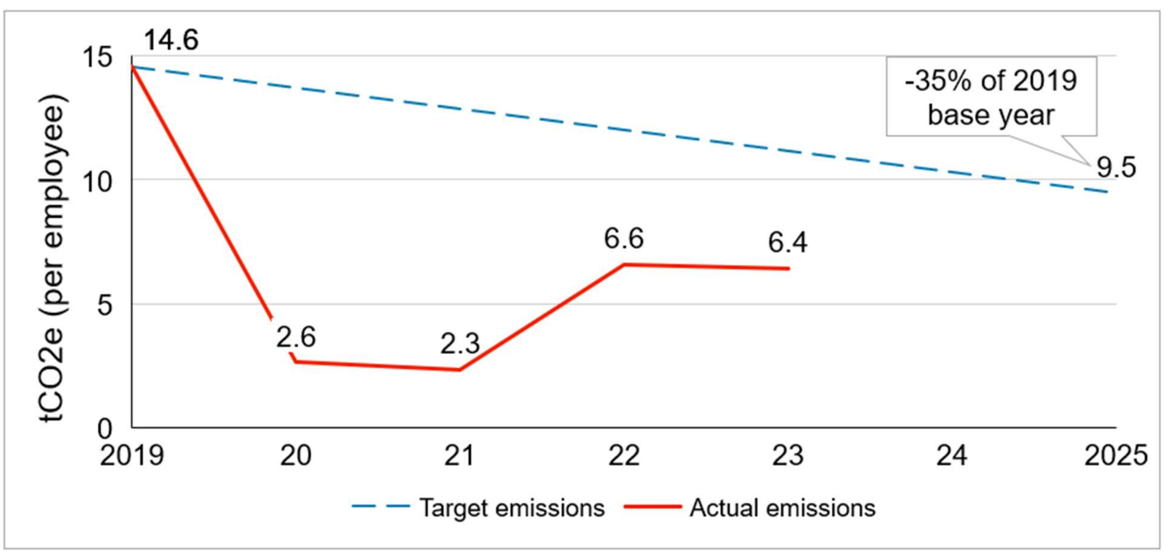


Chart 2: Scope 3 GHG emissions from business travel[8]
(Per employee gross emissions; Global; Target vs Actual)



McKinsey's global GHG emissions from Scope 1 and 2 activities (see Chart 1) and Scope 3 business travel per employee[8] (see Chart 2) declined significantly in 2023 (both reduced by ~56% compared to 2019).

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[8] Excludes Radiative forcing and Hotels emissions as per SBTi target guidelines and includes reduction from SAF credits procurement.

5. Carbon Reduction Projects

A. Completed Carbon Reduction Initiatives

The following environmental management measures and projects have been completed or implemented since the 2019 baseline. These have contributed to the reduction in total GHG emissions of 9.5 thousand tCO2e (or 29%) over 2023 from the 2019 base year - and the measures will be in effect when performing the contract.

McKinsey & Company, Inc. United Kingdom implements an Environmental Management System (EMS) and is ISO 14001 certified. We outline below a selection of environmental management measures and projects that have been delivered since the 2019 baseline for our London office and its move to a new location in the same year. All the measures listed below were implemented **in the new office premises** at the Post Building, that is recognized for its sustainable environmental footprint:

1. **Achieved LEED Gold certification in 2020 for our London office**[9]. The office was rated LEED Gold (Shell & Core) and BREEAM Excellent (New Construction – Shell & Core). Our fit-out was also designed with LEED Gold certification in mind.
2. **Installed 100% LED lighting in our London office since 2019 in order to minimise our energy consumption.**
3. **Powered the London office with 100% renewable electricity in 2019.** In 2018, McKinsey became the first global consultancy to join RE100, a coalition of more than 300 organizations committed to using 100% renewable electricity. McKinsey set a target of reaching this goal by 2025 and has made progress. Since 2019, 95% of McKinsey's global electricity consumption has come from renewable sources and in 2021 McKinsey achieved the target of 97,2% using renewable sources.
4. **Designed our London office space** to **maximise exposure to natural light** and reduce the need for artificial lighting. The circadian lighting automatically controls the colour and intensity of the lighting to replicate natural daylight.
5. **Integrated the London office lighting control system with the building management system to minimise energy use.** Also, meeting rooms have **temperature controls** which automatically adjust when unoccupied.
6. **Installed an HVAC system in the London office that uses low-GWP refrigerants and heat pump technology,** with heat recovery on all air systems contributing to reduced emissions and energy. LED/low energy lighting is used throughout and ventilation is demand controlled.
7. **Introduced multiple recycling points, installed "follow-me" printing technology** (that prevents uncollected printing) **and eliminated single-use plastics**, all contributing to reducing our carbon footprint in the London office. Reprographics services use FSC-labelled paper and low carbon printers. 80% of the stationery we supply to the office is environmentally friendly and comes from sustainable sources. All cleaning products use a closed loop recycling system and are only made from natural resources.
8. **Encouraged sustainable ways of employee commuting to the office and client. The London Office** a) **supported the use of bikes** by participating in the UK Government's Cycle to work[10] scheme that subsidizes the purchase of new bikes for work and offering locked up parking spots for employees' bikes; and b) **collaborated with an electric vehicle taxi company** and gave employees a discount.

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[9] McKinsey aspires to the highest environmental standards for new offices and major renovations across McKinsey's global operations, i.e. LEED Gold or Platinum or equivalents

[10] https://www.cyclescheme.co.uk/

9. **Reduced food waste** in the London Office via 'real time' demand management in office events and the restaurant (cooking the appropriate amount of quantities) and reusing food left over in the next day's offering (i.e. vegetables in soups). We also **increased the share of meals that are vegetarian** (from 30 to 40%) by introducing Plant Based Thursday – offering a plant-based menu one day per week – and a daily vegan option in the restaurant.
10. **Encourage alternative and hybrid working models as we transition into the 'next normal'**, building on the lessons learned during the global COVID-19 pandemic, which impacted everyone's way of working.
11. **Transitioned to renewable energy sources for office heating in London Office in 2023,** offsetting all electricity emissions though REC's (Renewable energy certificates), the 2023 Scope 1 and Scope 2 emissions are 0.

In addition to the above measures, we took indirect carbon reduction measures during the fit-out of our new London office including: (a) building and fit out materials (such as cardboard ductwork in the gym) were chosen for their sustainability credentials, (b) throughout renovation of the premises we minimised the amount of waste taken to landfill – over 98% of the construction waste was diverted, (c) more than a third of the furniture spend was from UK manufacturers to minimise delivery miles as well as support the UK manufacturing industry; (d) incorporated significant number of plants in the London office interior design and roof top.

The initiatives specifically listed above predominantly entail reductions in Scope 1 and 2 GHG emissions. The carbon emission reduction figures are *approximate estimates* only as not every initiative can be effectively measured in its impact (e.g., indirect measures are excluded from the estimation).

B. Future Carbon Reduction Initiatives

In the future, McKinsey & Company, Inc. United Kingdom plans to continue to align with McKinsey's global science-based targets and commitment to attain Net Zero emissions by 2050.

In 2024-2025, McKinsey & Company, Inc. United Kingdom plans to implement carbon reduction measures laid out in McKinsey's global carbon reduction plan, including:

- **Continue to embrace alternative and hybrid working models where we can, minimising unnecessary travel**, building on the lessons learned during the global COVID-19 pandemic, which impacted everyone's way of working.
- **Rethinking our travel policy** e.g., encouraging "air-to-rail" travel modal shift whenever possible and this is mandated in policy for London-Paris travel, using greener ground transportation (i.e., bikes) and using greener hotels.

In addition, our Green Team[11] will maintain our completed carbon reduction initiatives (points 1 to 11 in section 5A), while continuously identifying, developing and implementing new initiatives. The Green Team reports to our UK Sustainability Leader, Harry Bowcott, and our Office Manager, Tunde Olanrewaju, and has the mandate to explore all relevant areas in London Office operations, ranging from the credentials of our partner organisations to sustainability of our suppliers. Indicatively, a UK Green Team initiative currently being implemented is to train new joiners and managers on how projects can follow sustainable practices. This is delivered through a dedicated session in their onboarding training and a "How-to Guide on Sustainable Projects". The full pipeline of UK Green Team initiatives is shared internally with colleagues and refreshed with new ideas on a quarterly basis.

[11] In more than 100 McKinsey offices around the world, more than 1,000 colleagues have joined Green Teams to help reduce the firm's environmental footprint and build awareness of the importance of environmental sustainability.

6. Declaration and Sign Off

This Carbon Reduction Plan has been completed in accordance with PPN 06/21 and associated guidance and reporting standard for Carbon Reduction Plans.

Emissions have been reported and recorded in accordance with the published reporting standard[12] for Carbon Reduction Plans and the GHG Reporting Protocol corporate standard and uses the appropriate Government emission conversion factors for greenhouse gas company reporting[13].

Scope 1 and Scope 2 emissions have been reported in accordance with SECR requirements, and the required subset of Scope 3 emissions have been reported in accordance with the published reporting standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard[14].

This Carbon Reduction Plan has been reviewed and signed off by the board of directors (or equivalent management body).

Signed on behalf of the Supplier:

Tunde Olanrewaju

Senior Partner, McKinsey & Company, Inc. United Kingdom

Date: 03/09/2024

[12] https://ghgprotocol.org/corporate-standard

[13] https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting

[14] https://ghgprotocol.org/standards/scope-3-standard