McKinsey & Company

2025 Governance, Risk and Compliance (GRC) Survey – Presentation

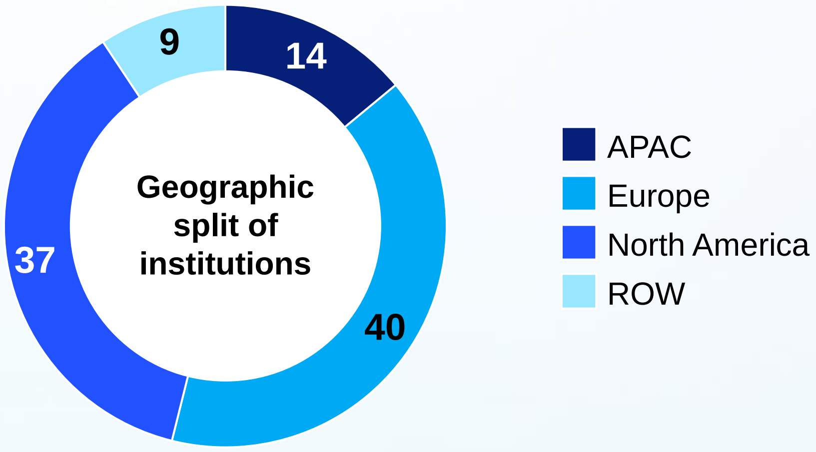
Key takeaways

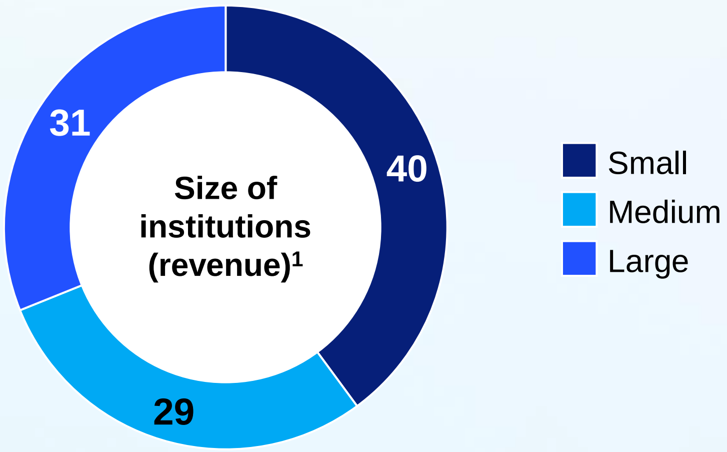
March 2025

Demographics of the participating institutions

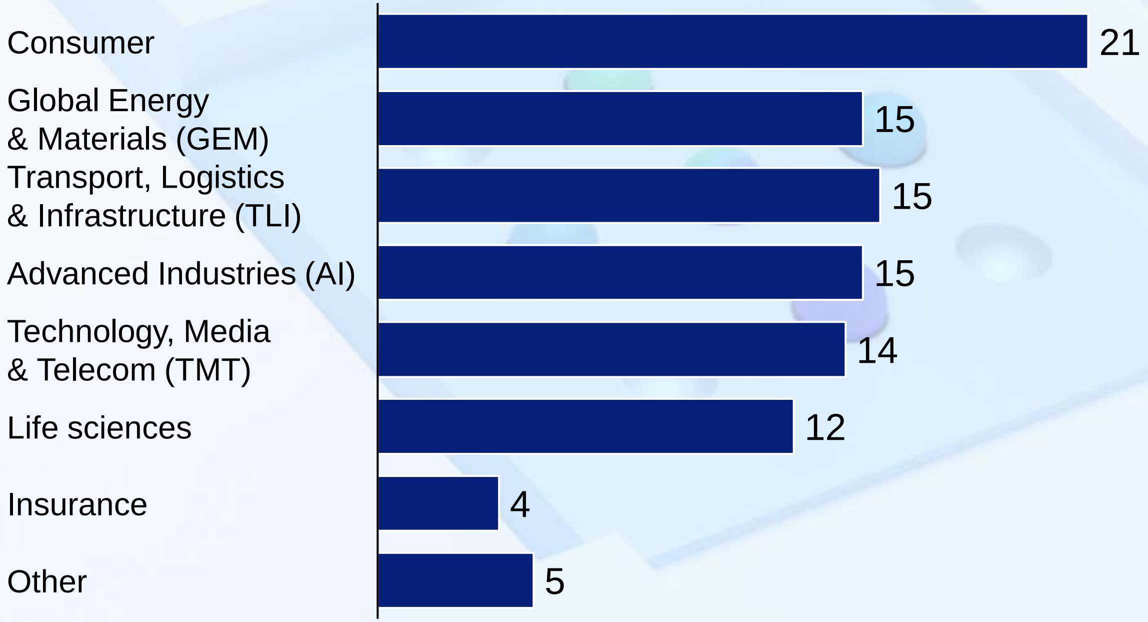
N=193

Geography and size (% of participants)

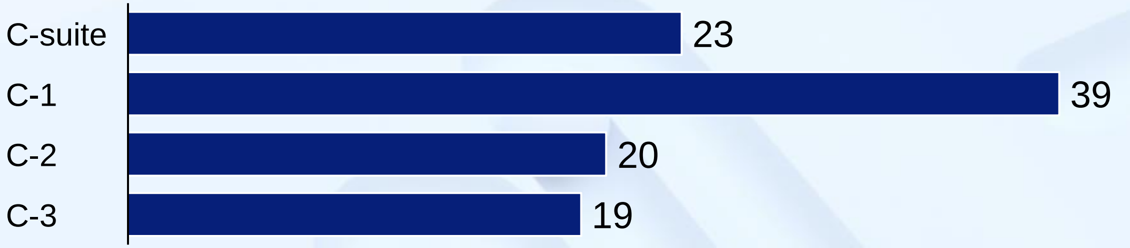




Industry distribution (% of participants)



Seniority distribution[2] (% of participants)



1.Large Companies >20Bn USD revenues, Medium 5-20Bn USD, Small <5Bn USD
2.No reply from one respondent

Key takeaways across Governance, Risk and Compliance

McKinsey GRC Benchmark Survey 2025

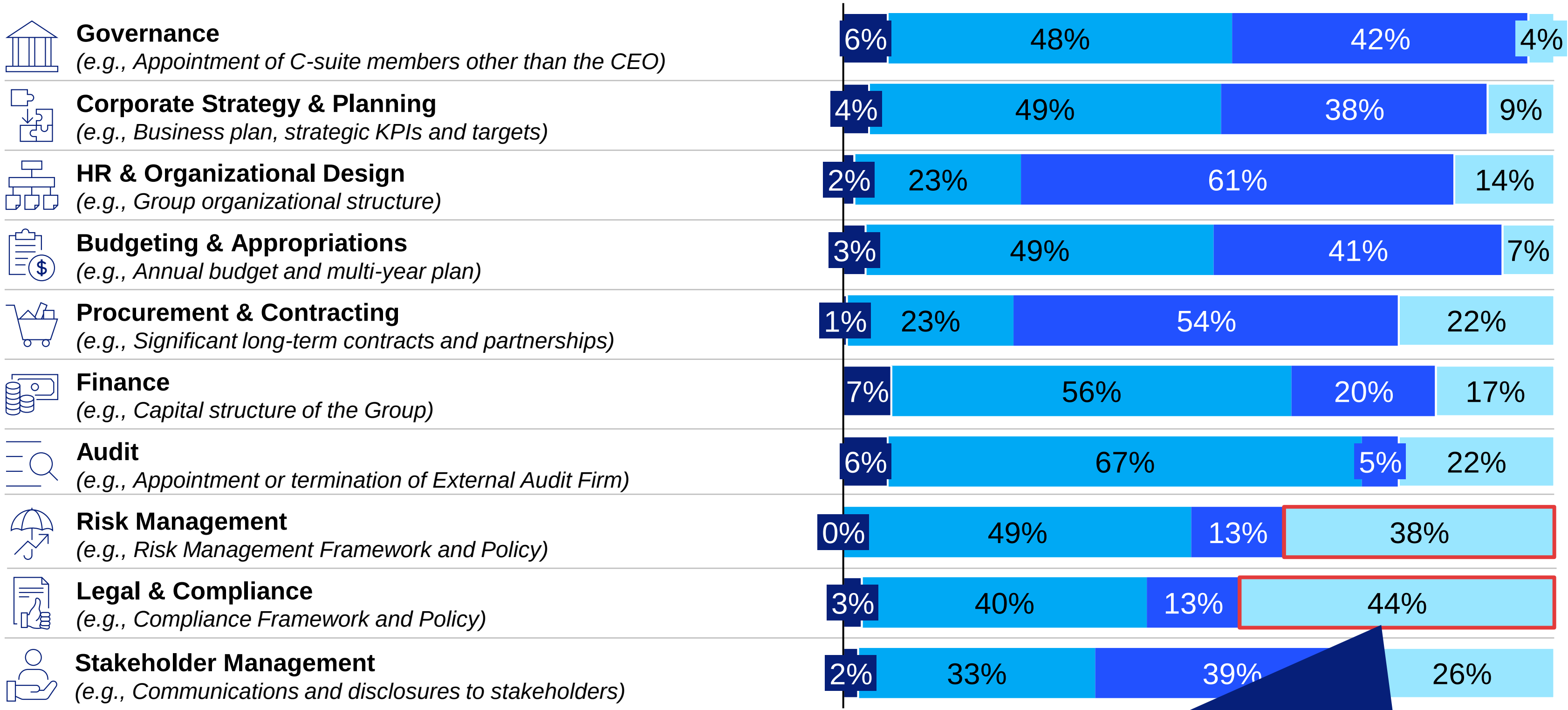
Dimensions	Select key takeaways across all industries
Governance	• **Strategic management BoD archetype** with 2-5 sub-committees, and a **BoD with diverse expertise** becomes the norm • **Board and CEO hold most of decision power when it comes to approval authority,** shareholders and other management less so • **Board governance is overall well addressed in most organization, but formal corporate governance documentation and assessments are often absent (~50%)**
Risk	• Across industries the **maturity of risk management shows a need for improvement** (avg score 2.6 out of 4) • **Most industries need to raise their game in strategic risk management**, e.g., risk appetite, stress testing • **Risk culture** (e.g., regular self-assessment) and **3 Lines of Defense** are other key areas for improvement
Compliance	• Across industries, there is **room for improvement in compliance management** (avg score of 2.9 out of 4) • Areas of improvement include **risk-based approach for compliance controls, systematic monitoring and reporting, sanctions management, and fulfillment of organizational and supervisory duties by ExCo/Board**
Across GRC	• **Tech enablement in GRC is a pain point**, even for adoption basic tools and GRC system • **Resourcing of key GRC functions (Risk/Compliance) is often small** vs. overall size and complexity of organizations with global footprints • **Compensation systems (incentives and bonus structures) are rarely tied to risk/compliance** related performance metrics

In most organizations, Board and Management hold the ultimate approval authority

N=192[1]

Shareholders | Board (incl. sub-committees) | CEO | Management | Discussion points

Who has the ultimate approval authority for the following decisions in your company?



Risk & Compliance seem to be more commonly delegated down compared to other topics. How is it in your institution?

1. No reply from 1 respondent

Source: McKinsey GRC Survey 2025

Key insights

- **Shareholders play a very limited role in approval authority** across all decision areas
- **The Board** has a high involvement and **ultimate approval over key decisions** with most dominant approval authority in Governance, Corporate Strategy, Budgeting, Finance, Audit, Risk Management.
- **The CEO is responsible for approving more operational decisions on** with most dominant approval authority in HR and Org. Design, Procurement & Contracting, and Stakeholder Management.
- Broader **management** has most dominant approval authority in Legal & Compliance only and significant in Risk Management

Corporate governance frameworks and Board charters are very common, but several gaps exist

N=193

Discussion points
% of Respondents

Which of the following corporate governance documentation exists in your company?

Policies, procedures and manuals	Corporate governance framework or policy document	93%
	Delegation of Authority / Approval matrices (incl. thresholds/limits) documentation	80%
	Corporate governance procedure	52%
	Corporate governance manual	42%
Board of Directors Charters	Charter of the Board of Directors	81%
	Charters of the Board of Directors Committees	72%
	Charter of the Executive Management Board	53%
Executive Management Charters	Charters of the Executive Management Committees	45%
	Board resolutions inventory	47%
Resolutions	Annual, externally published corporate governance report	74%
External and internal docs.	Annual board assessment documentation	53%

Source: McKinsey GRC Survey 2025

Key insights

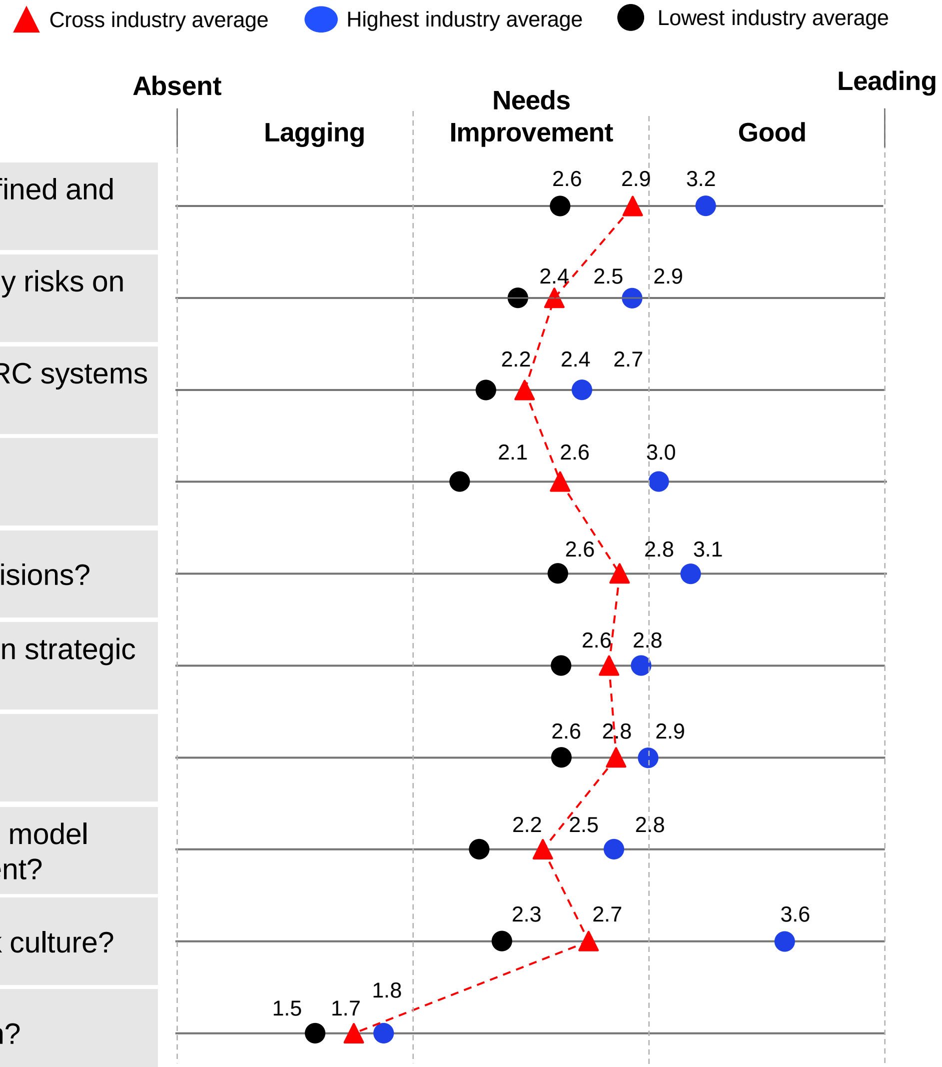
- While 93% claim to have a **corporate governance framework or policy document,** only around half report to have a **corporate governance procedures (52%) or manual (42%)**
- **Charters for Board and related committees** (72-81%) **appear much more common** than for Executive Management Board and related committees (45-53%)
- **Significant improvement potential exists** also for inventories of Board resolutions (47%) and documented Board assessments (53%)

Cross industry scores are highest on clear risk taxonomy & capital allocation decisions

Risk assessment score; Average scores (excluding insurance industry)

Risk Assessment

1. To what extent is there a risk taxonomy (i.e., a clearly defined and aligned list of relevant risks) in the organization
2. Are stress scenarios used to understand the impact of key risks on the organization?
3. To what degree are risk activities supported by IT and GRC systems and tools?
4. Does the organization have a well-defined risk appetite?
5. Is risk appropriately incorporated in capital allocation decisions?
6. Is risk appropriately taken into account in key event-driven strategic decisions (e.g., M&A, entering a new market)?
7. How is the Board involved in risk management?
8. Does the organization have a 3 Lines of Defense (3LOD) model concept with a proper control framework for risk management?
9. Does the organization conduct self-assessment of its risk culture?
10. Are risk-adjusted metrics linked to overall compensation?



Source: McKinsey GRC Survey 2025

Key Insights

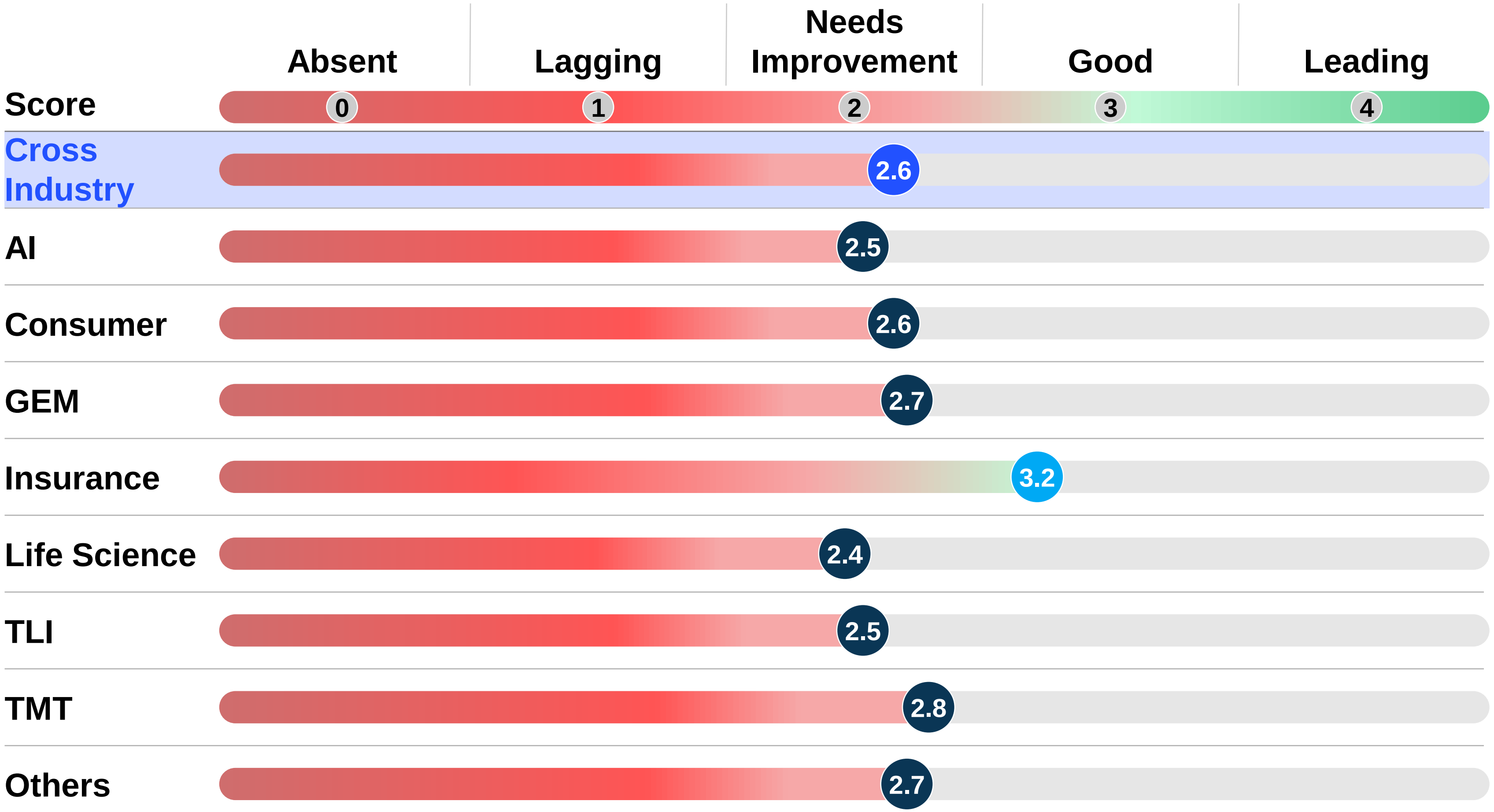
- Cross industry scores are **low** on risk metrics linked to **compensation** and **IT & GRC systems** on an average
- There is a high variation observed in responses for **well defined risk appetite** & **self assessment of risk culture**

Insurance is the only industry with ‘good’ risk maturity, all others need improvement

N=193

Overall risk assessment scoring

Overall risk assessment scoring



Source: McKinsey GRC Survey 2025

Key insights

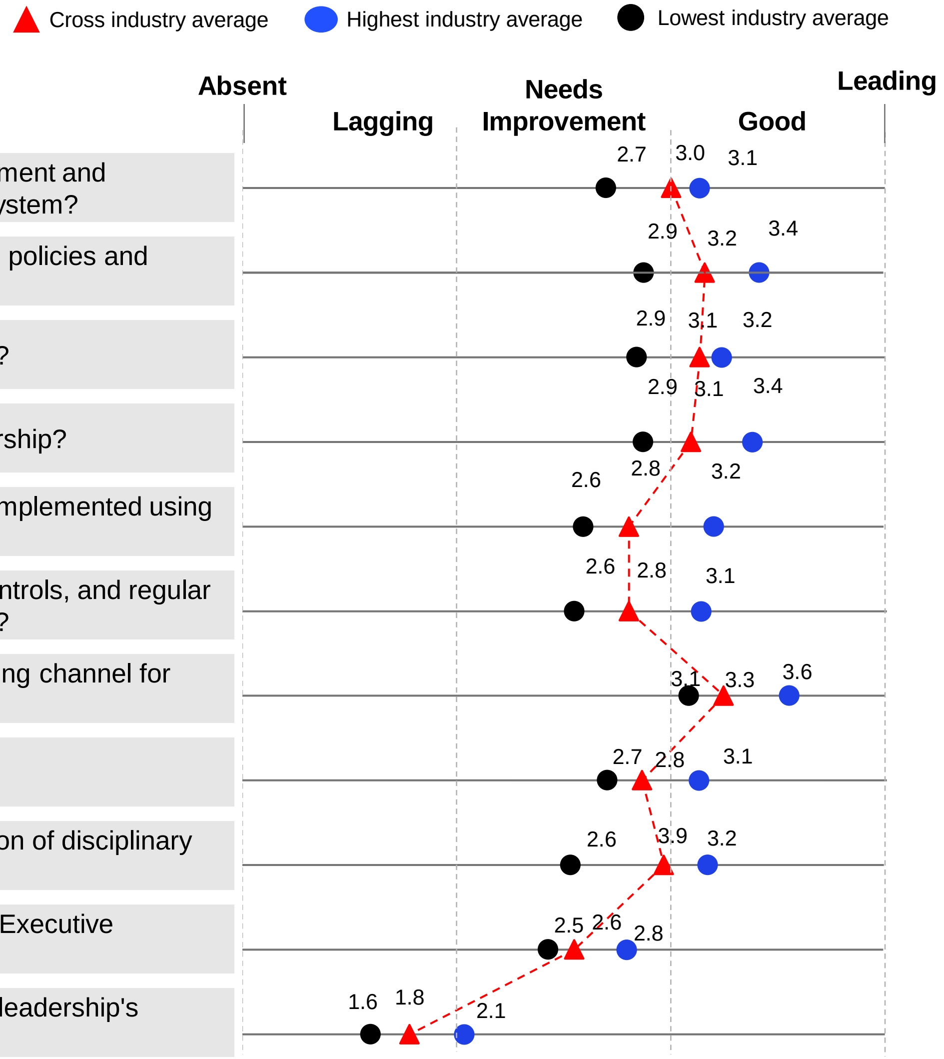
- **Insurance stands out with a score of 3.2**, significantly higher than other industries, indicating that good risk management practices are overall implemented
- **The overall industry score is 2.60,** which suggests that **most industries fall below a good rating** in terms of risk maturity assessment
- **Life Science, AI and TLI** are industries that are **lagging behind most**, with scores slightly lower than the industry average (2.5 and 2.4)

Cross industry scores are highest on end-on-end whistleblowing channel for employees

Compliance assessment score; Average scores (excluding insurance industry)

Compliance Assessment

1. Does the organization have a thorough compliance risk assessment and subsequent tailoring of compliance organizational management system?
2. Does the organization have comprehensive compliance-related policies and procedures?
3. Are regular target group specific compliance trainings provided?
4. Is there a culture of compliance communicated by senior leadership?
5. Have comprehensive compliance controls been designed and implemented using a risk-based approach?
6. Is there systematic monitoring of compliance processes and controls, and regular compliance reporting to Group Executives and Board of Directors?
7. Is there a comprehensive end-to-end process form whistleblowing channel for employees and third parties as front end
8. Is an effective process for remediation in place?
9. Does the org have a transparent process & consistent application of disciplinary sanctions in case of proven misconduct?
10. Is there fulfillment of organizational and supervisory duties by Executive Management / Board of Directors
11. To what extent do ethics and compliance influence the senior leadership's incentives and bonus structures?



Source: McKinsey GRC Survey 2025

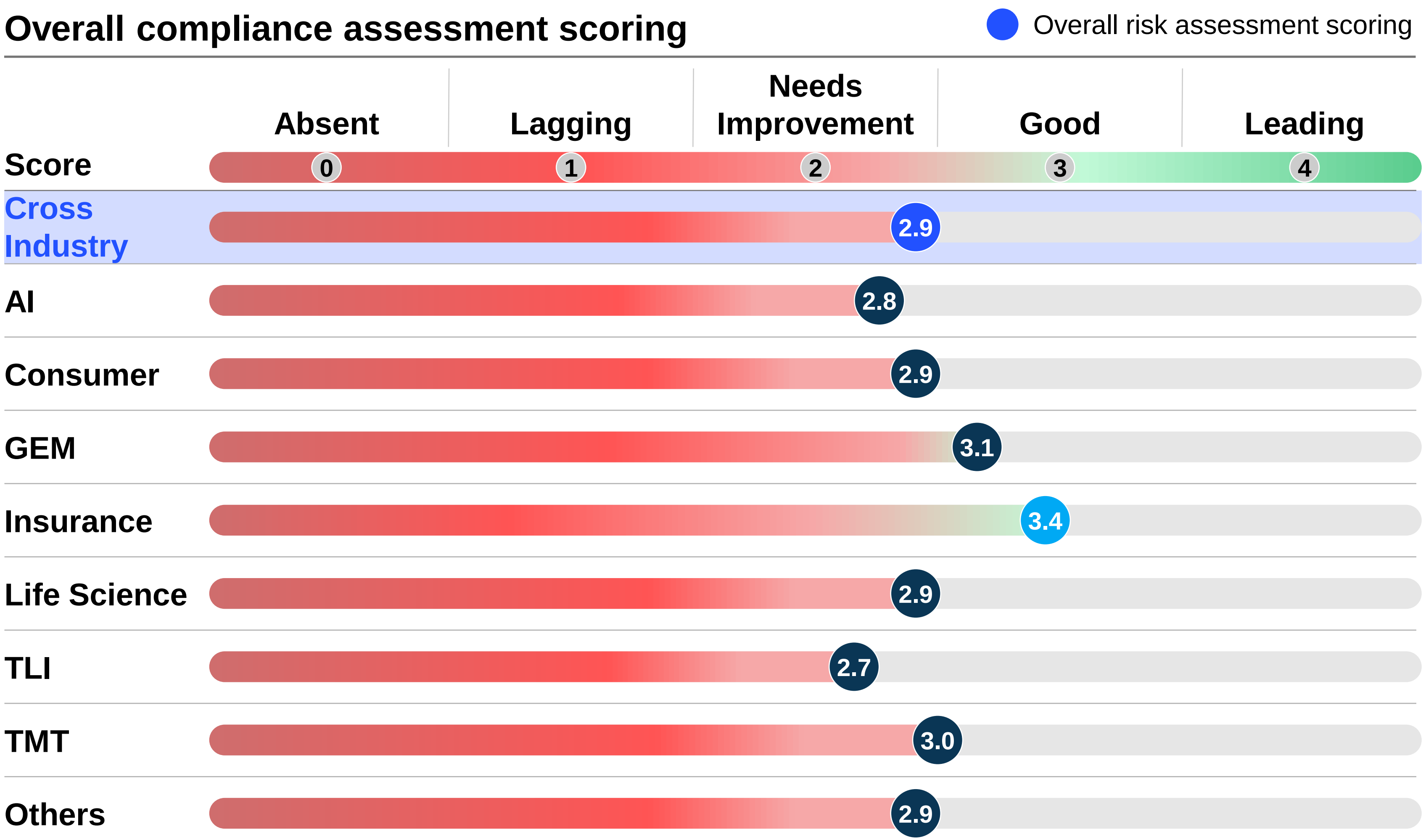
Key Insights

- On an average, the industry scores lowest in the **incentive and bonus structures**
- There is minimal variation in the **compliance measures.**

GEM, Insurance and TMT have an overall score equal or above 3 (“Good”)

N=193

Overall compliance assessment scoring



Key insights

- **Insurance stands out with a score of 3.4**, significantly higher than other industries, indicating that good practices are overall implemented
- **GEM and TMT are also reported as good**, with scores equal to 3.1 and 3
- **The overall industry score is 2.9,** which suggests that **most industries fall below a good rating** in terms of compliance assessment
- **AI and TLI seem to be lagging behind**, with scores lower than the average (2.8 and 2.7)

Source: McKinsey GRC Survey 2025

Selected recent McKinsey publications around Risk & Resilience

Resilience pulse check: Harnessing collaboration to navigate a volatile world

January 2025

How to capture the next S-curve in commodity trading

***February** 2025*

Building geopolitical resilience: The people agenda

December 2024

McKinsey on Risk & Resilience – Issue 18

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