

# Cybersecurity Management in ESG Ratings

2023 EthiFinance Barometer of European Companies





# Context & Methodology

Over the last decade, cybersecurity has become a huge challenge for the global economy in all parts of society.

According to The World Economic Forum Global Risk Report 2024, cyberattacks rank fifth in likelihood to cause a global crisis in 2024 and fourth in potential severity over two years.

The private sector has been increasingly challenged to ensure robust security for IT systems and privacy requirements, and cybersecurity has made its way up to the top league of most threatening risks for corporates and their clients and stakeholders.



# Context & Methodology

The topic of cybersecurity is integrated in EthiFinance's ESG Ratings and is analysed through four distinctive indicators:

- Incorporation of IT/cyber risks in the company's operational risks
- ISO 27000 Certification
- Cybersecurity training for employees
- Intrusion tests of IT systems

In addition, we track IT- and cyber risk related incidents within our controversy research. We follow incidents in different areas, specifically on the topics of data leaks, violation of data protection regulation and cyber-attacks.

The analysis presented in our report covers 2321 European companies, 6% of which are large corporations, 55% mid-sized firms and 39% small companies. The data has been collected during our 2023 ESG Ratings update, covering mostly data reporting on the 2022 fiscal year.





# Main Findings

Our study finds that European firms tend to take cyber threats seriously and increasingly try to protect themselves from them through certification and training.

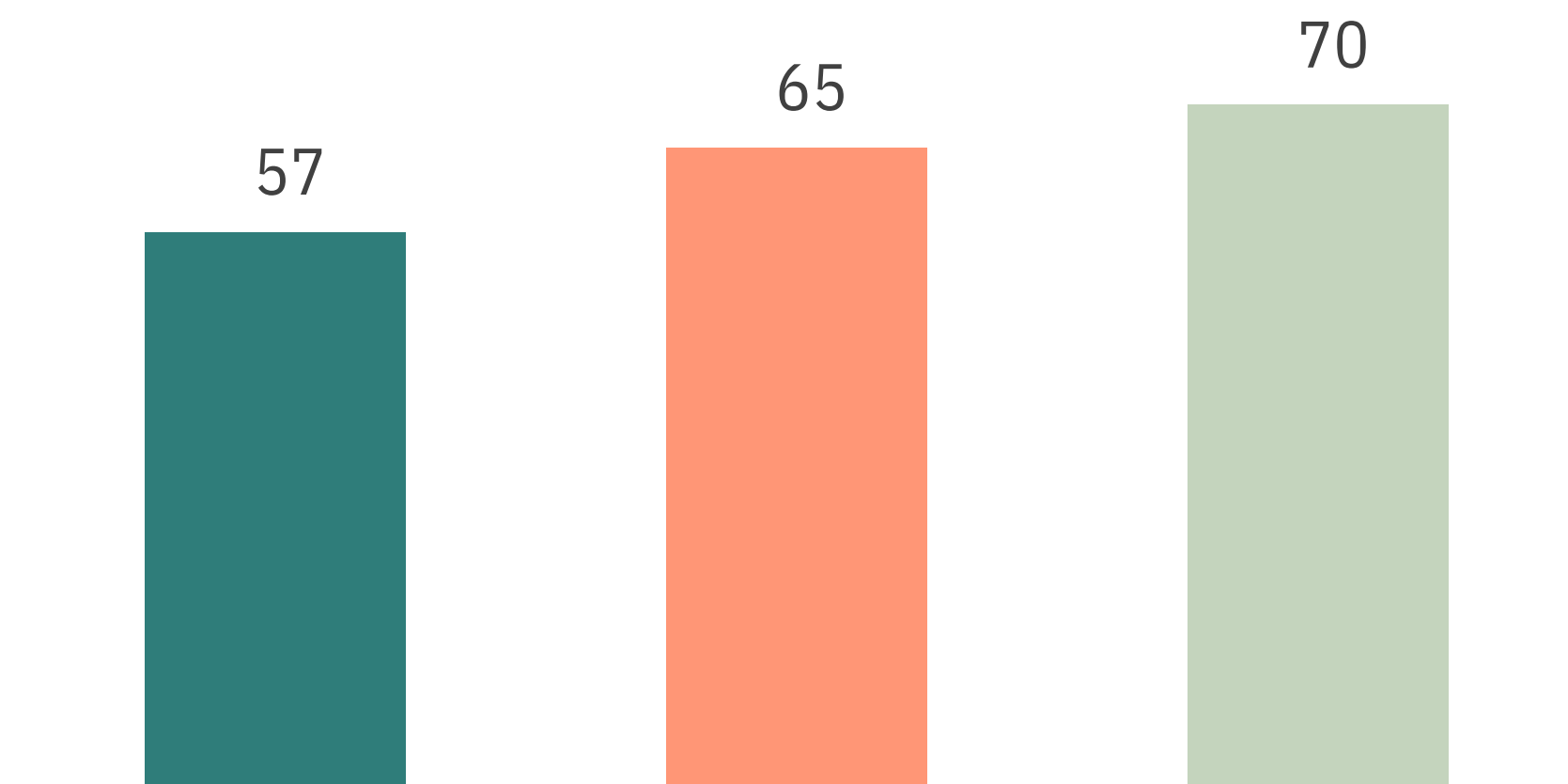
Nevertheless, data breaches and cyberattacks remain major concerns.



# 1.

The average cybersecurity score across European companies has steadily and strongly increased over the past three years, underlining the improvement in their overall maturity in managing cyber risk (Chart 1).

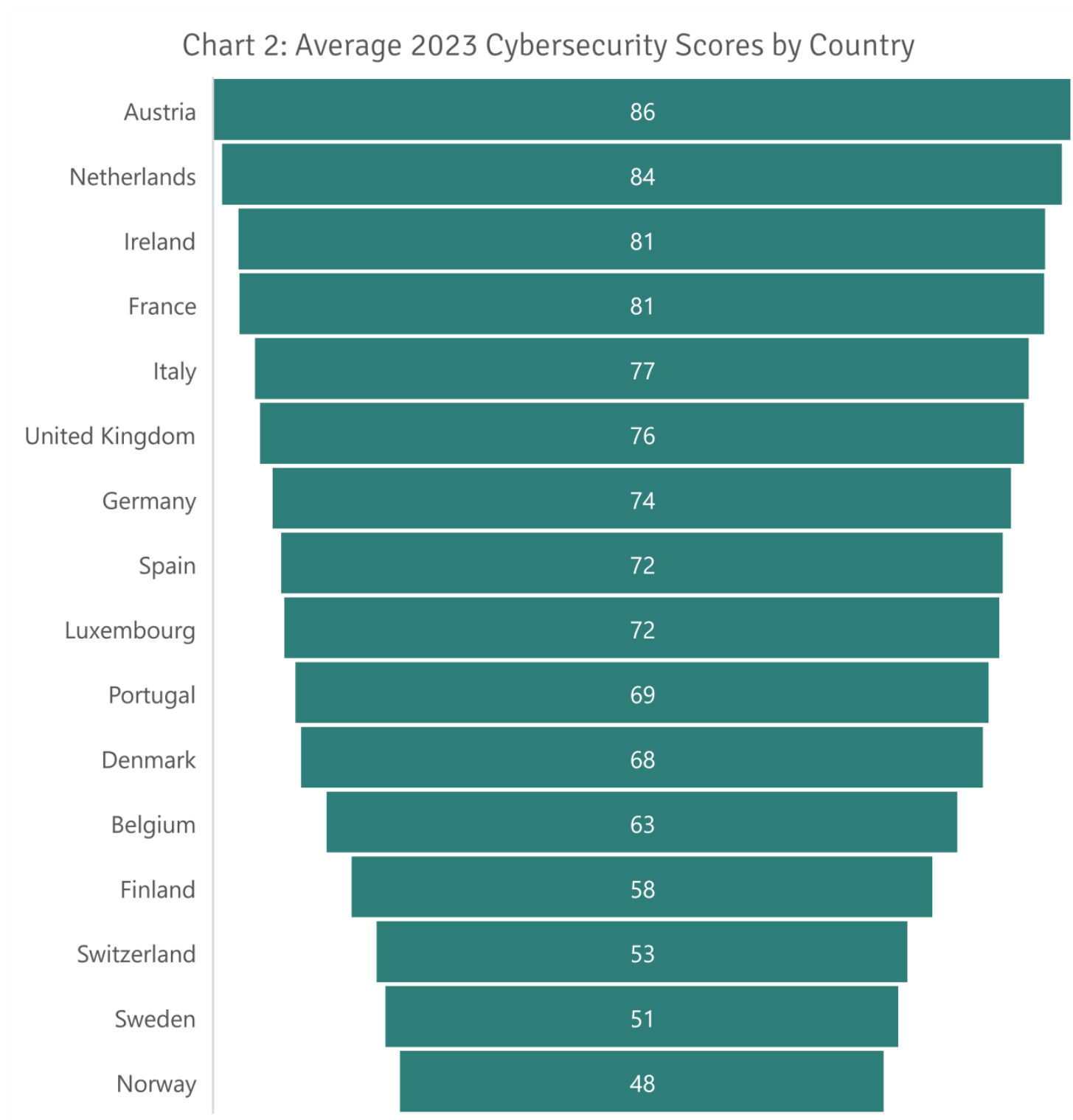
Chart 1: Average Cybersecurity Score Across European Companies





## 2.

Austrian companies receive the highest average cybersecurity score, followed closely by the Dutch, Irish and French firms. Countries with the lowest average scores are Norway and Sweden





### 3.

Cyberattacks and data breaches are more often happening to companies from Industrials, Consumer Discretionary and Financials (Chart 3.1) and to firms in Spain, Portugal, Ireland, Austria and France (Chart 3.2).

Chart 3.1: Breakdown of Cybersecurity Incidents per Sector

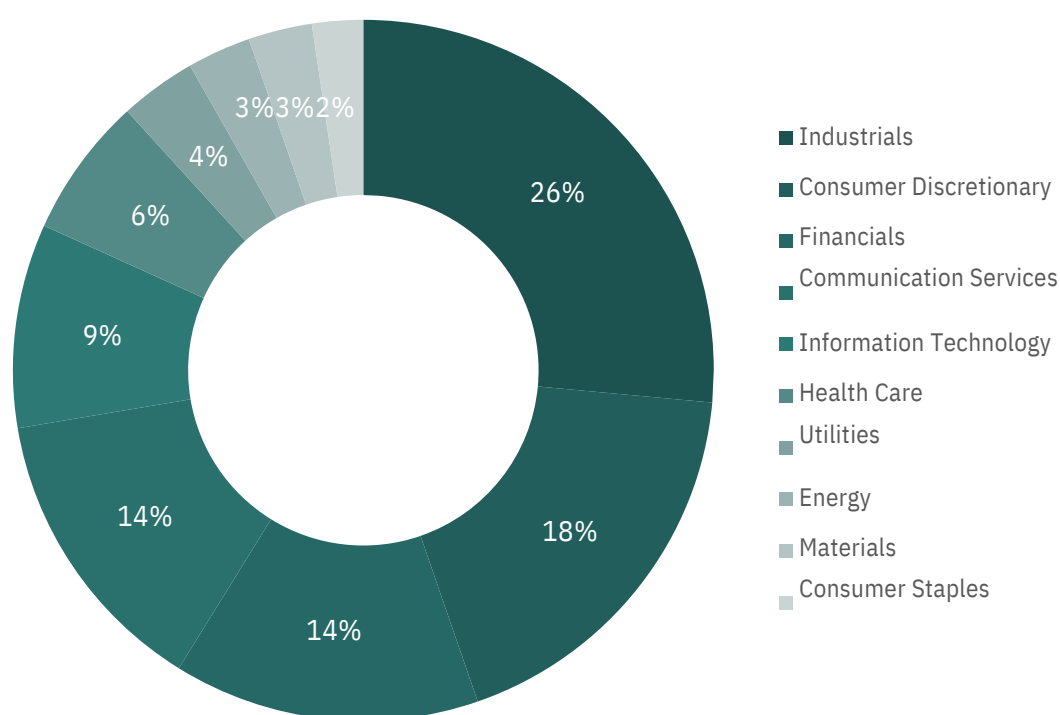
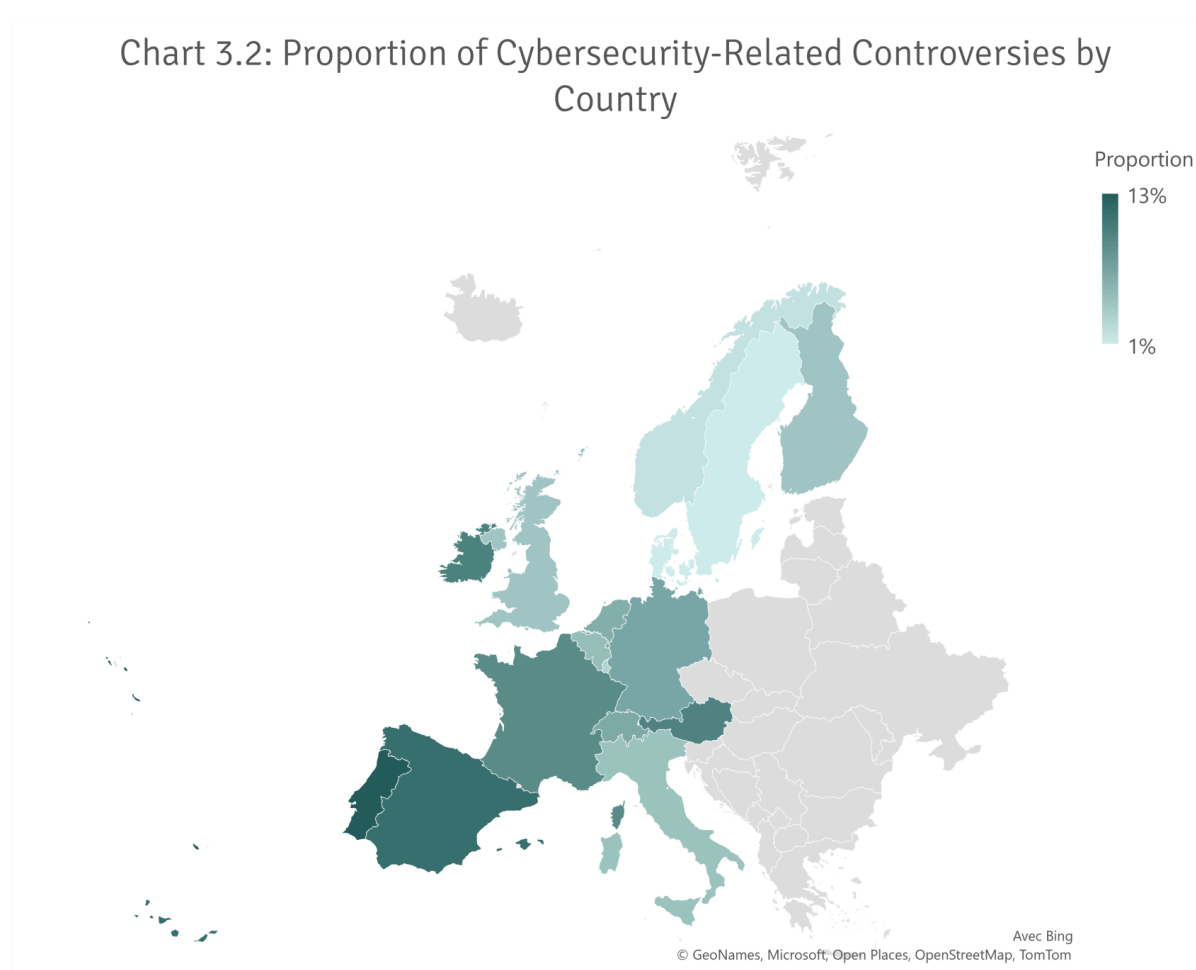


Chart 3.2: Proportion of Cybersecurity-Related Controversies by Country

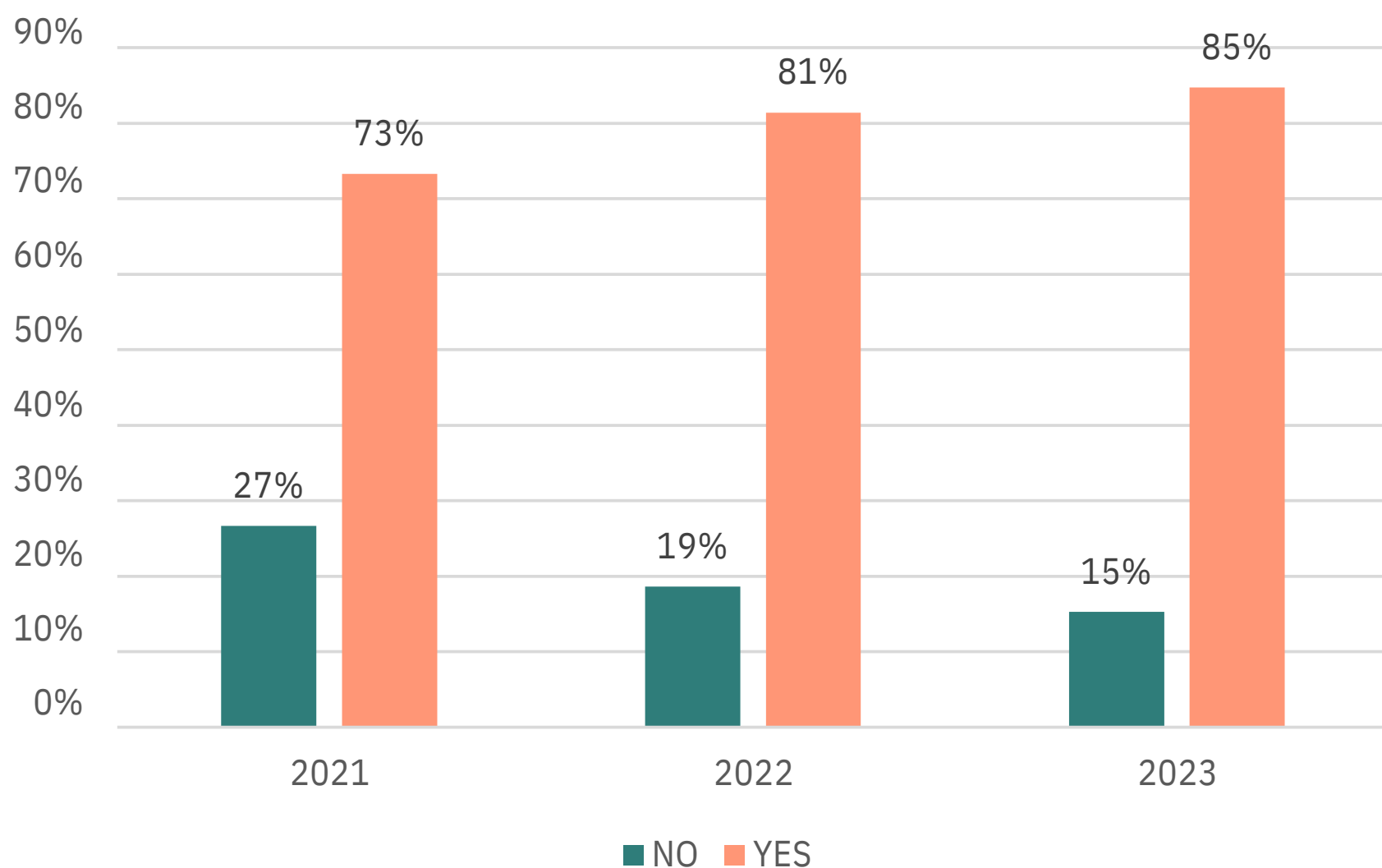




## 4.

European companies are increasingly including cyber risks into their operational risk management. This is the case above all for large firms and to a lesser extent for smaller companies.

Chart 4: Percentage of Companies including Cyber Risk in Operational Risks



## 5.

The ISO 27000 certification is widely used in most European countries, except for France, where only one third of companies were certified in 2023 (Chart 5.1). Real Estate companies show a particularly low certification rate as opposed to organisations from other sectors (Chart 5.2).

Chart 5.1: Proportion of Companies Certified ISO 27000 in 2023

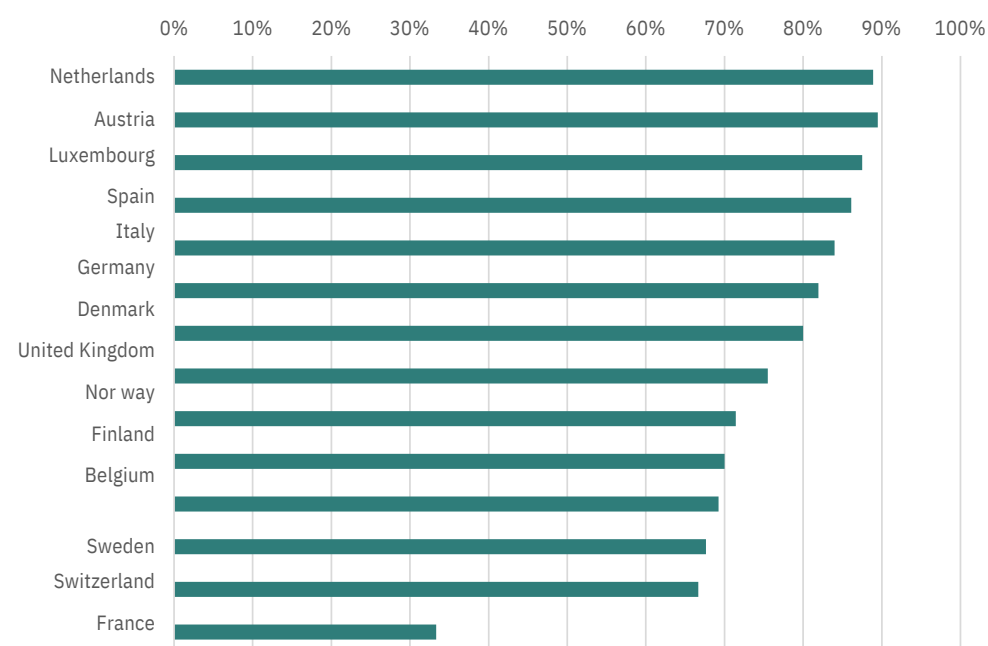
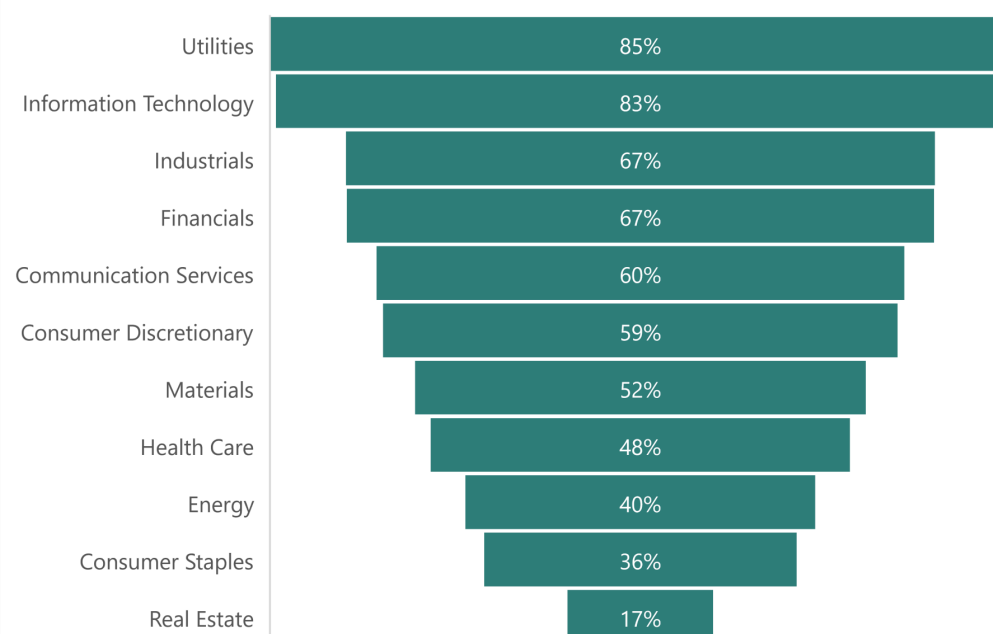


Chart 5.2: Proportion of ISO 27000 Certified Companies by Sector

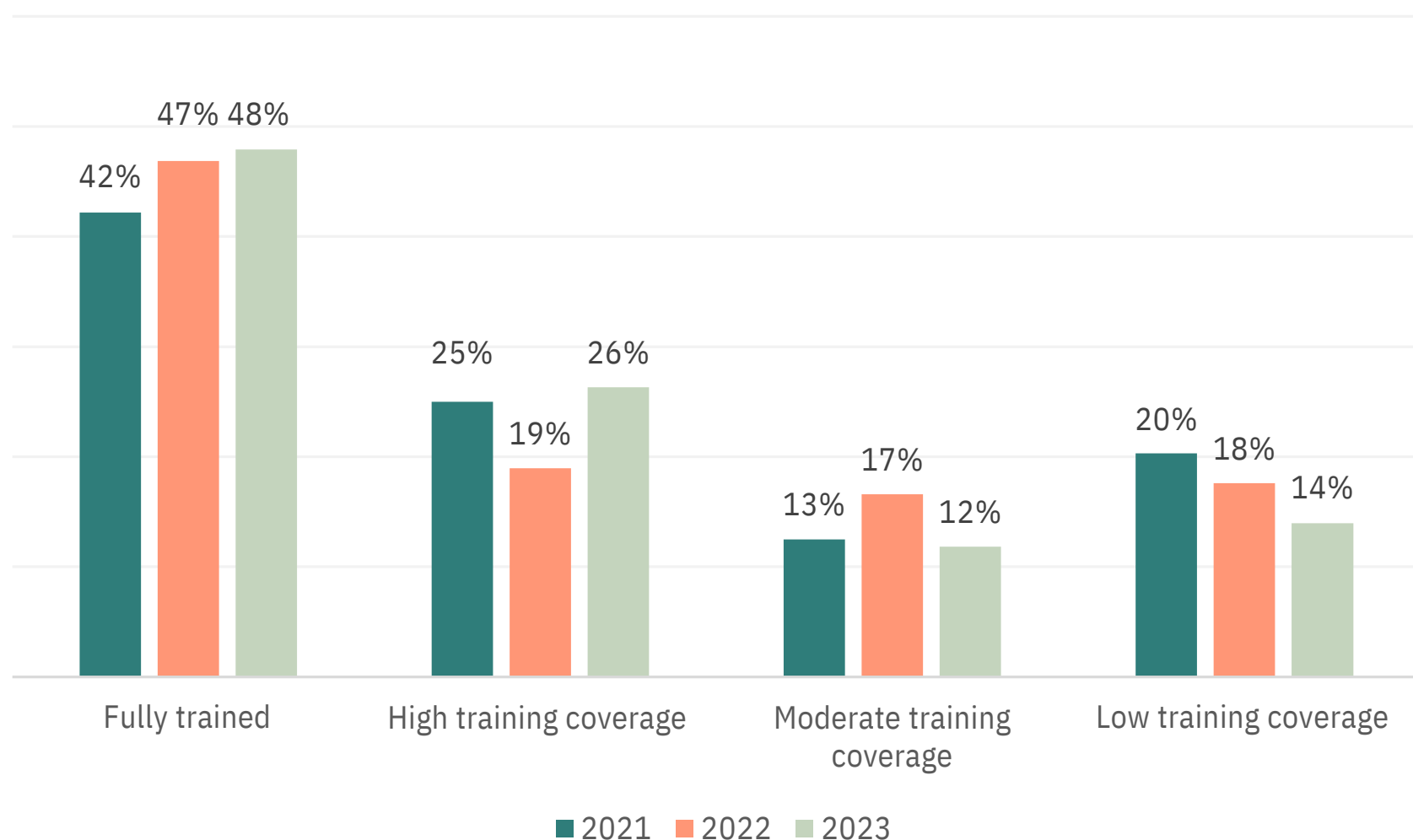




## 6.

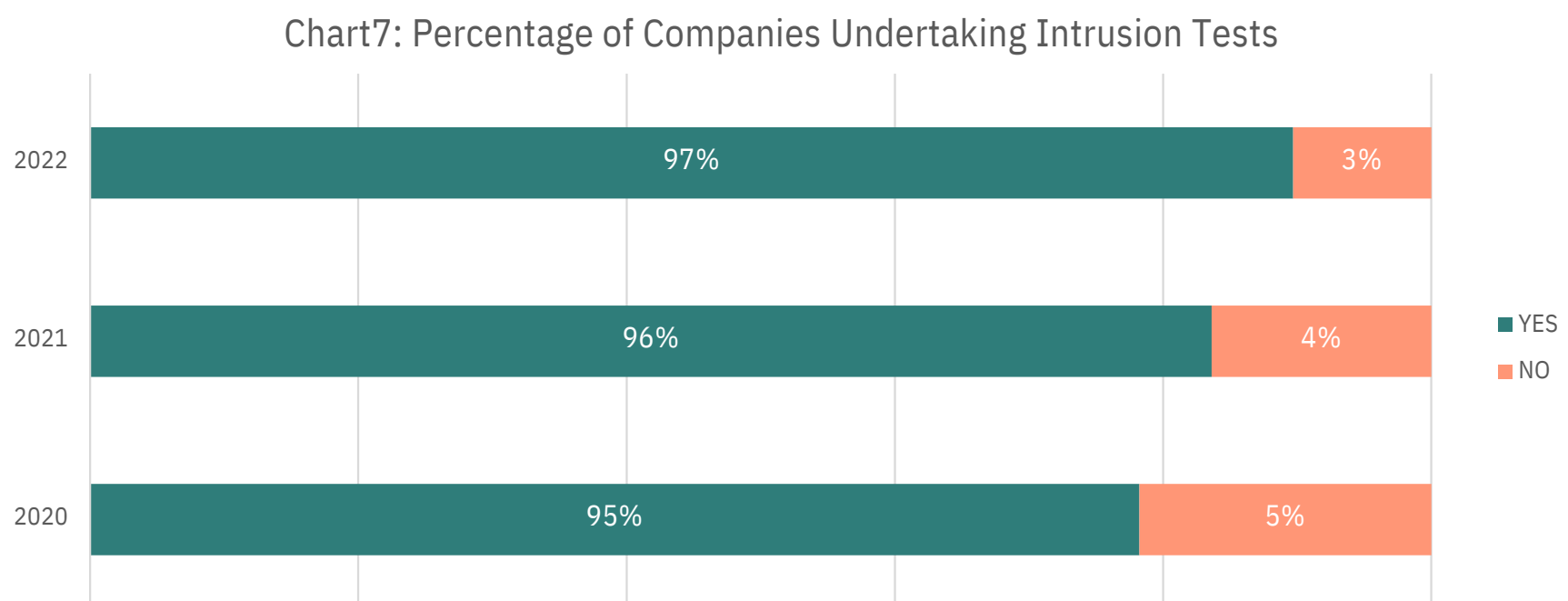
While cybersecurity training for employees is key for protection organisations from IT system intrusion, is not a topic that many companies report on and the proportion of companies with fully trained staff is only half of those providing the information

Chart 6: Percentage of Employees Trained in Cybersecurity



## 7.

Intrusion tests are a widely used tool in cyber risk management. Half of the companies within our sample report on the topic and almost all of them carry out intrusion tests on a regular basis (Chart 7).



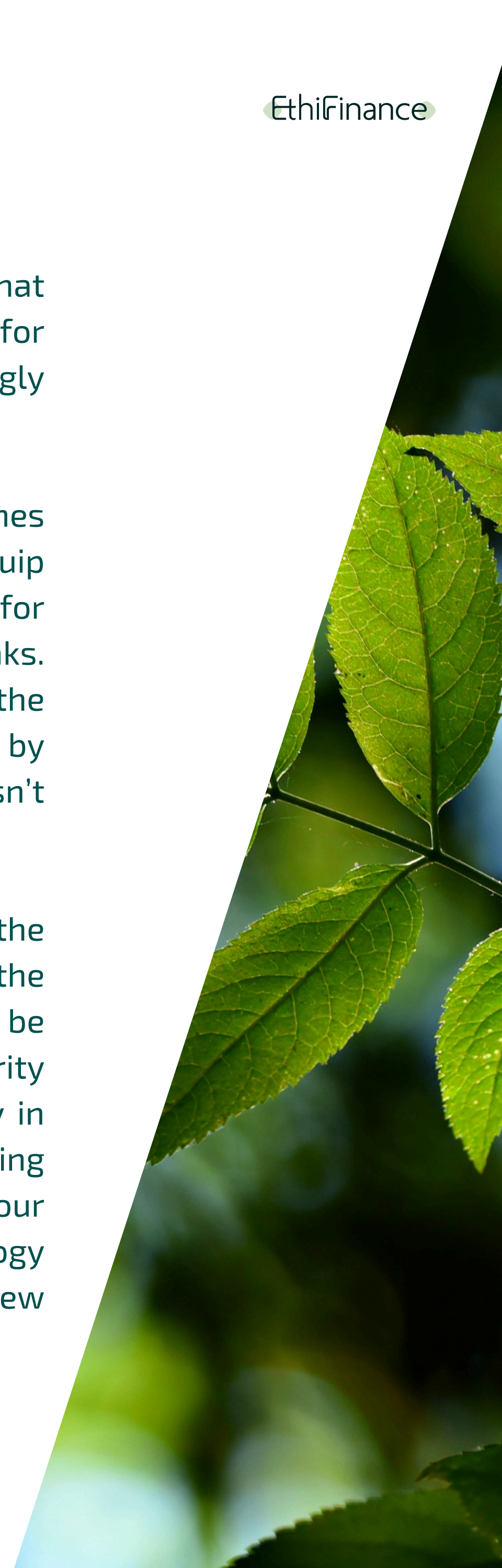


# Conclusion

Overall, our analysis shows that cybersecurity, a most threatening risk for organisations, is being taken increasingly seriously by European companies.

While cyberattacks and data breaches continue to happen, firms tend to equip themselves with adequate tools for preventing future intrusions and leaks. However, while the topic is clearly on the rise, we still see a lack of reported data by companies across Europe, which doesn't allow for a complete analysis in all areas.

Nevertheless, it is worth noting that the enforcement of new regulations in the coming years will force companies to be better equipped in relation to cybersecurity threats sparking increased transparency in their reporting practices. As an ESG Rating agency, we are also looking to adapt our cybersecurity assessment methodology over time to reflect these new developments.







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