



WAVESTONE

How mature are annual reports of the  
FTSE 100 regarding cybersecurity?

June 2019



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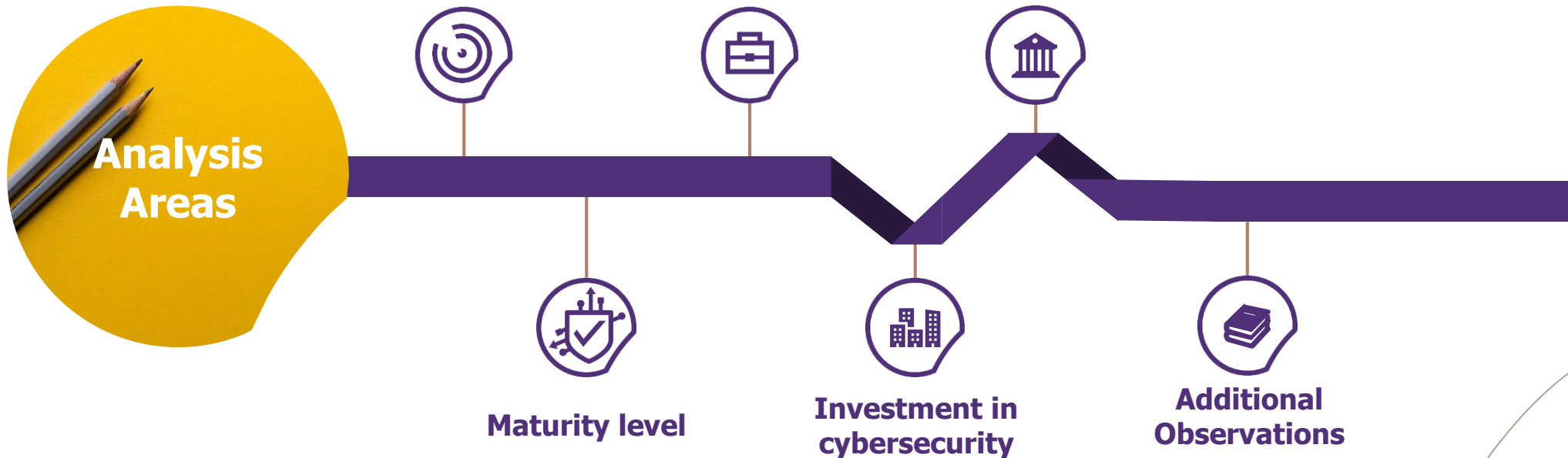
Paris | London | New York | Hong Kong | Singapore\* | Dubai\* | São Paulo\*  
Luxembourg | Madrid\* | Milano\* | Brussels | Geneva | Casablanca | Istanbul\* | Edinburgh  
Lyon | Marseille | Nantes

# How mature is the FTSE 100 in cybersecurity?

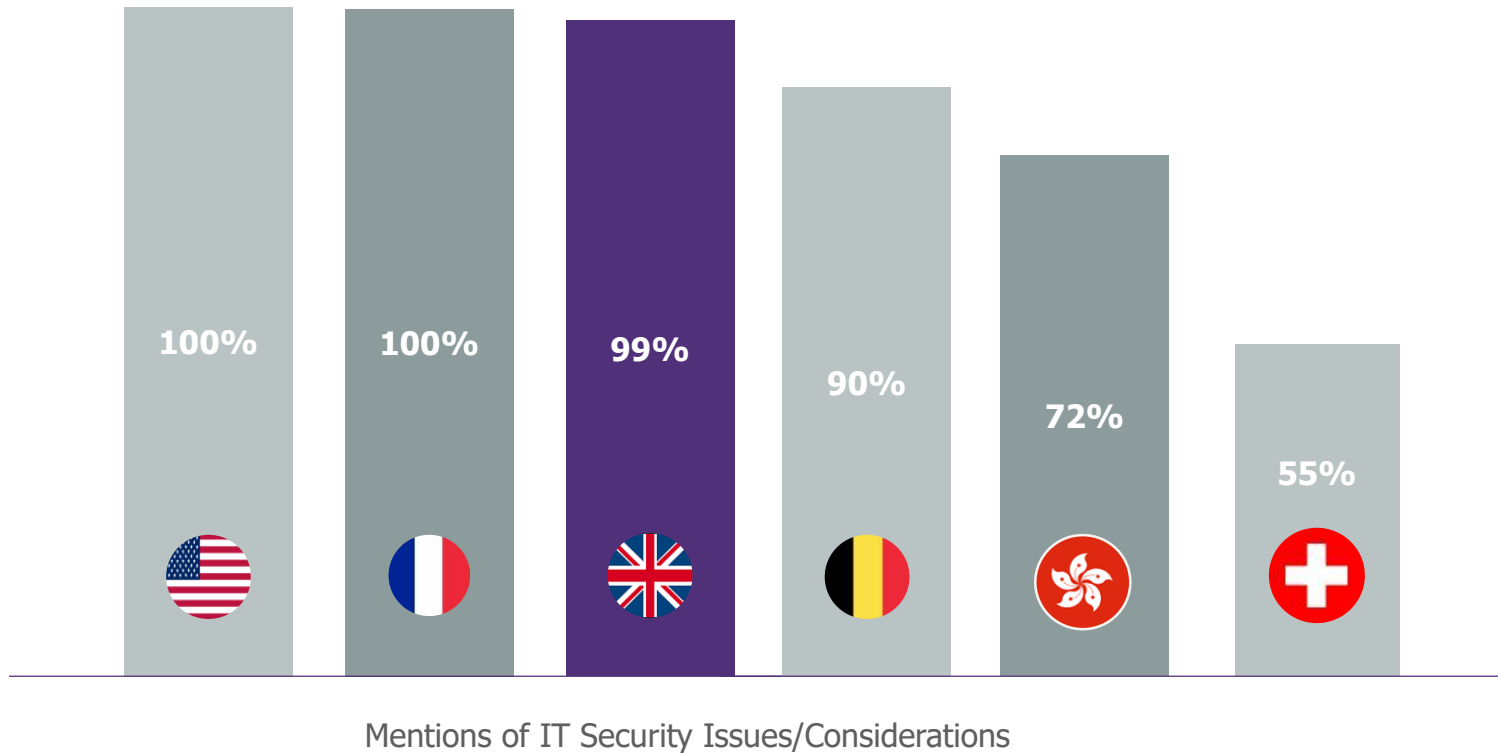


**Method:** this study is based upon empirical analysis of the most recent annual reports and reference documents, published by the FTSE 100 companies up to 01/06/2019. It is one of six studies conducted across multiple Wavestone offices globally in Q2 of 2019.

The results of this study are only as accurate as the statements and disclosures made by each company in their annual reports. As a result it is possible that, in reality, any given company's cybersecurity maturity is better or worse than has been reported.



# 99% of FTSE 100 companies are acting on cybersecurity

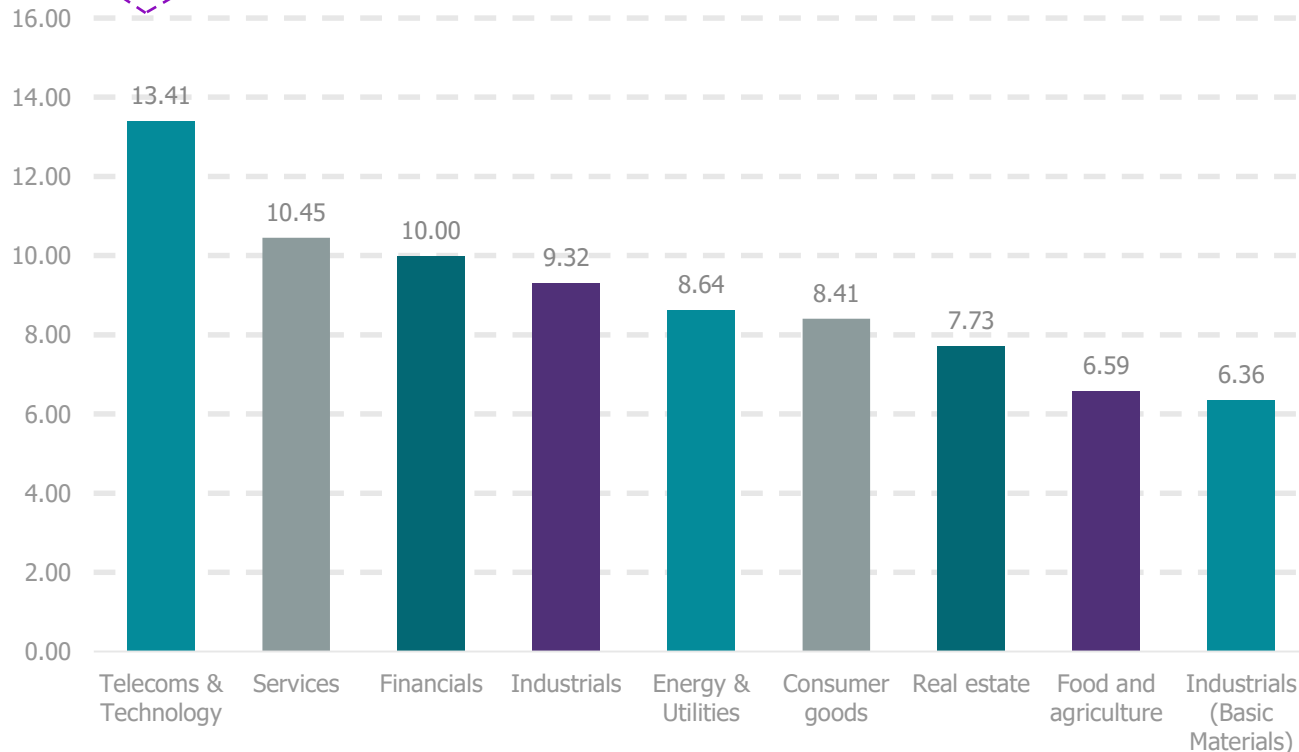


All but one of the FTSE 100 companies made at least some mention of cybersecurity related considerations or actions in their annual report, leaving the UK just shy of joint top spot in our international rankings

# The Telecoms sector is a stand out performer; Basic Materials lags behind

Financial communication cybermaturity index – 2019 edition  
**9.09\*** /20

The widest spreads between lowest and highest scores were in the Financials sector<sup>1</sup> and services, indicating a high degree of variability with which cybersecurity is treated in those sectors. The narrowest spread was in Energy & Utilities, suggesting the most commonality amongst company risk appetites in the sector



## Wavestone cybersecurity: 2019 annual reports maturity index

The *Wavestone cybersecurity: annual reports maturity index* provides an assessment of companies' maturity levels, based upon the content of their reference document. This index, scored out of 20, is based on 14 criteria weighted and marked between 0 and 2. These criteria<sup>2</sup> cover the following topics:

### Issues and risks

Infosec issues, cyber risks and impacts, cyber insurance coverage, digital transformation and new technology security.

### Governance and regulation

Executive Committee involvement, ISS governance, personal data protection, awareness and training, transparency vis-à-vis security incidents, regulations and conformity to standards.

### Protection and Controls

Action plan implementation, cybersecurity programme, securing business systems, audits and controls.

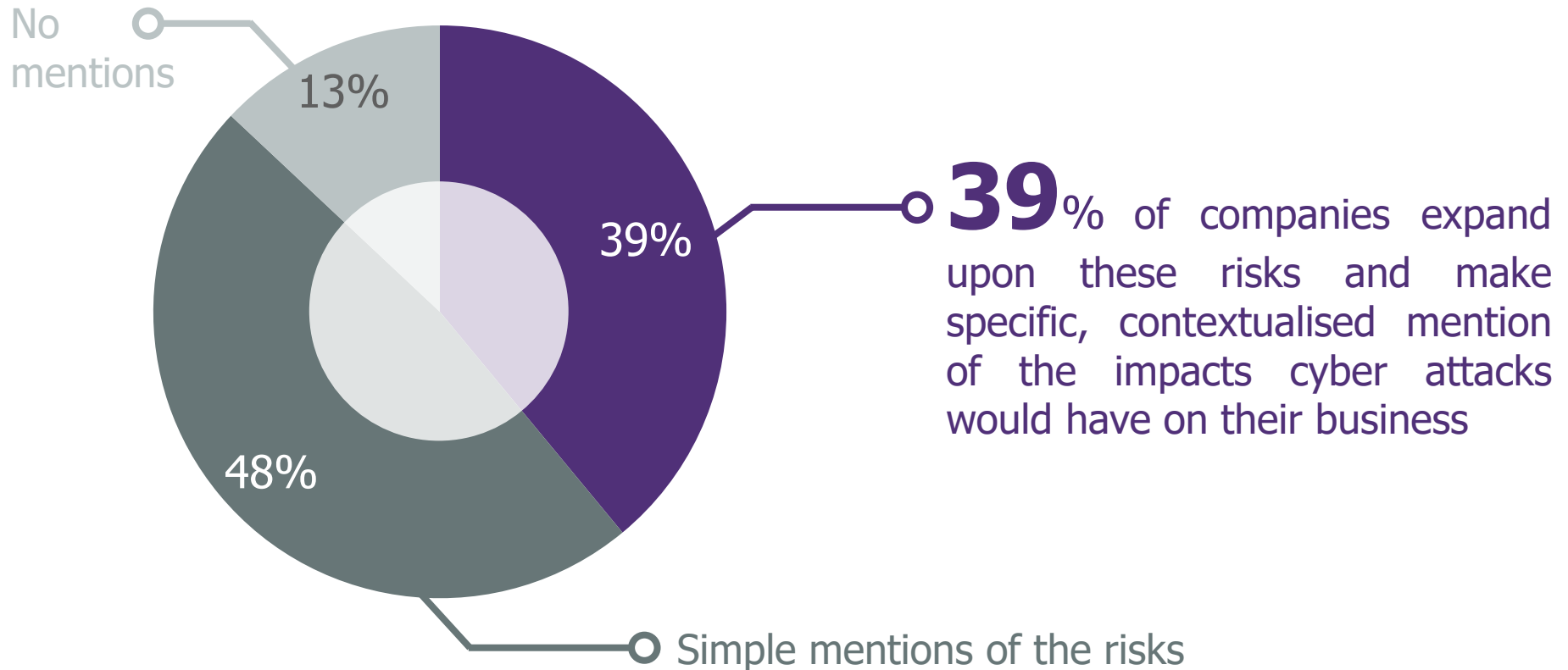
\*Mean average across all companies in all sectors

<sup>1</sup>Sectors are defined in the Appendix

<sup>2</sup>Criteria are defined in the Appendix

# Cybersecurity Risk and Impacts on the Business

**87%** of FTSE 100 companies acknowledge that they face cybersecurity risks



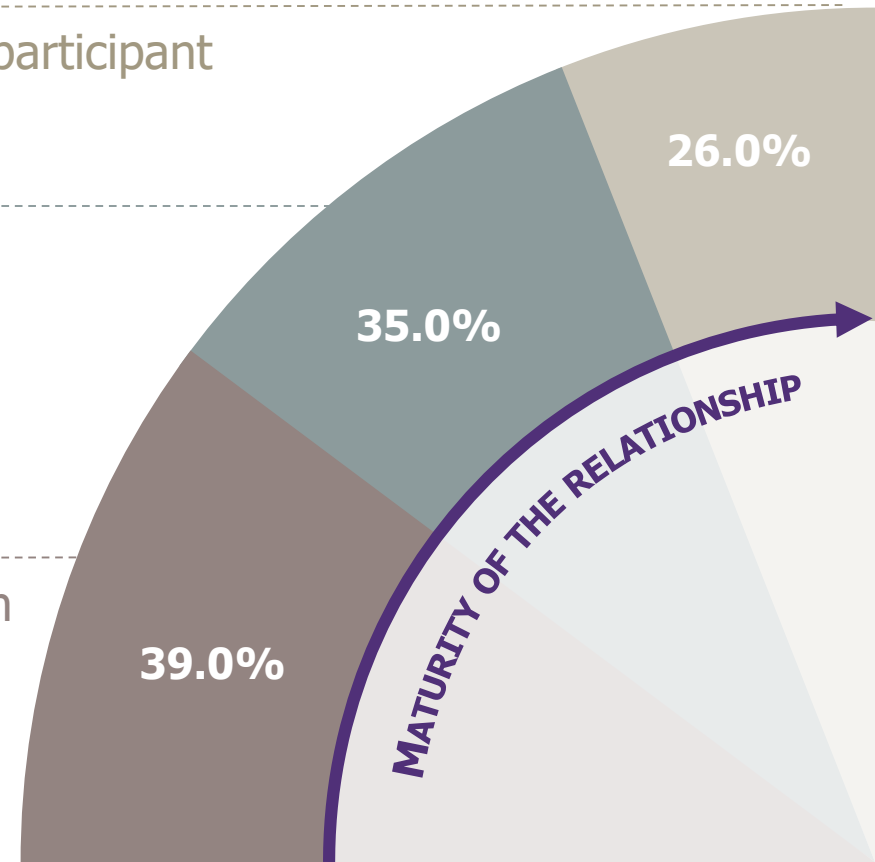
# Executive committees ever more involved

**61%** of FTSE 100 groups address the question of cybersecurity at executive committee level.

A member of the executive committee is an active participant in cybersecurity.

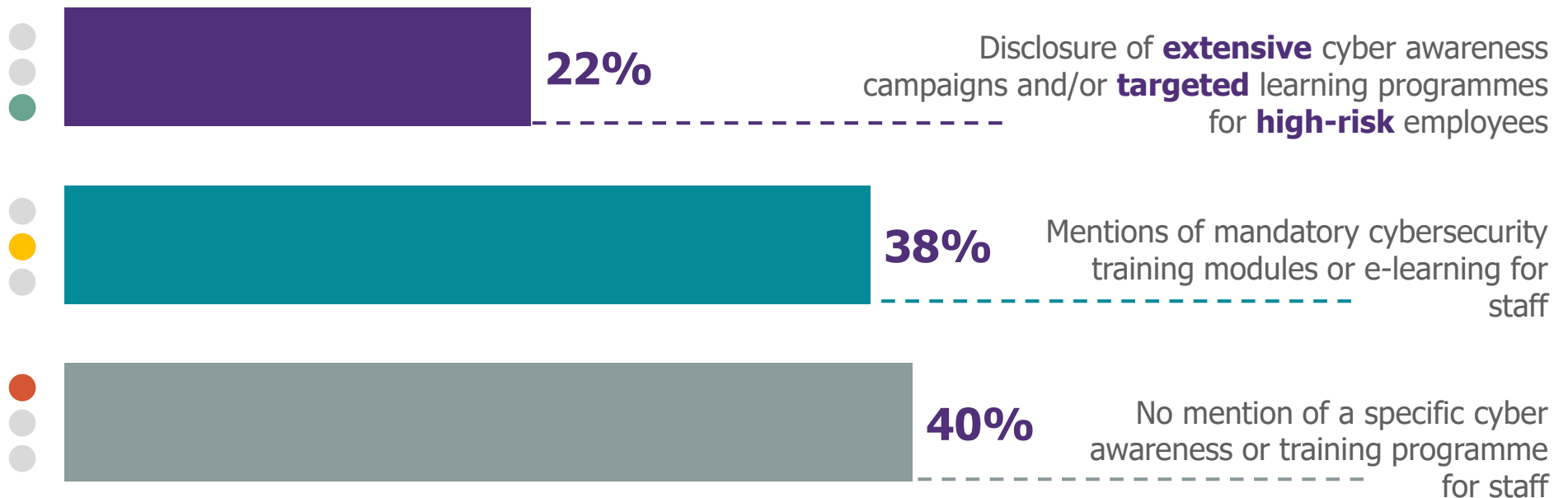
A governance body addresses cybersecurity with the executive committee on a regular basis.

Boards or Executive Committees are not engaged in cybersecurity



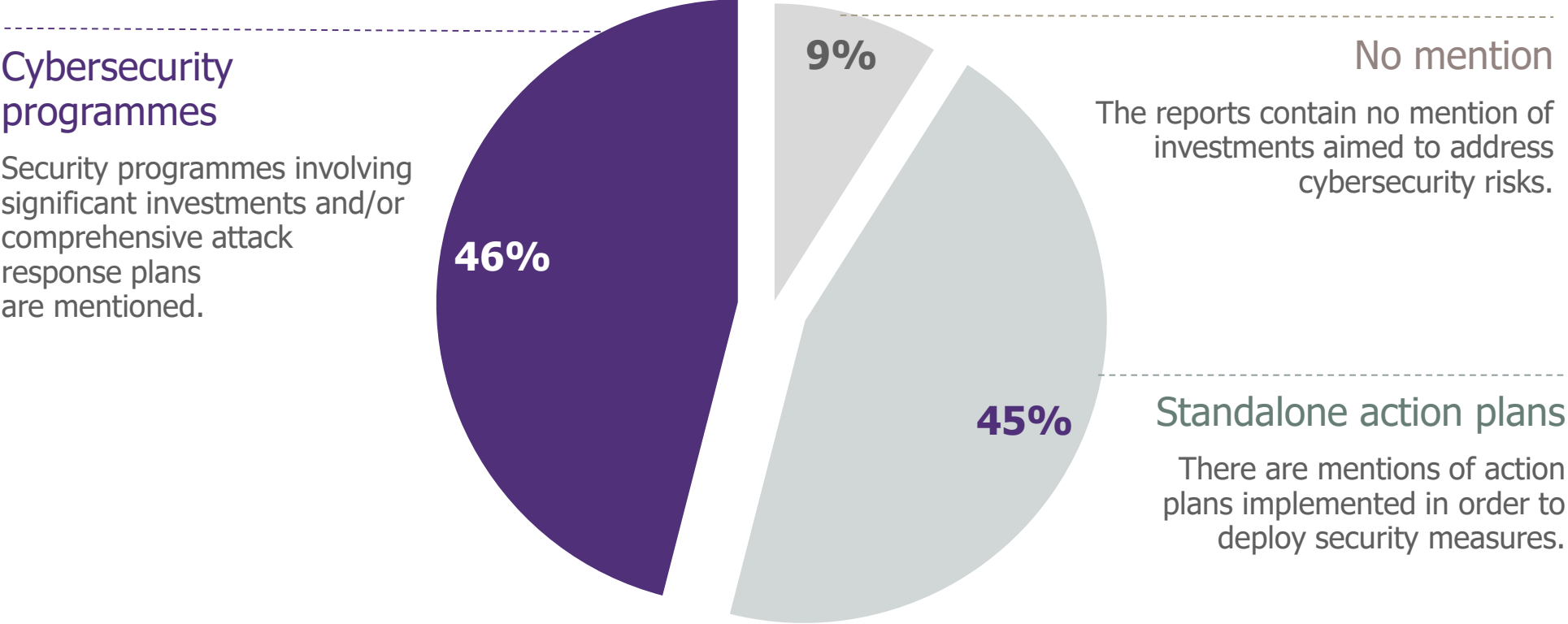
# Most companies realise the value of an alert workforce

**60%** of companies in the FTSE 100 are taking steps to educate and inform their employees – but more can be done

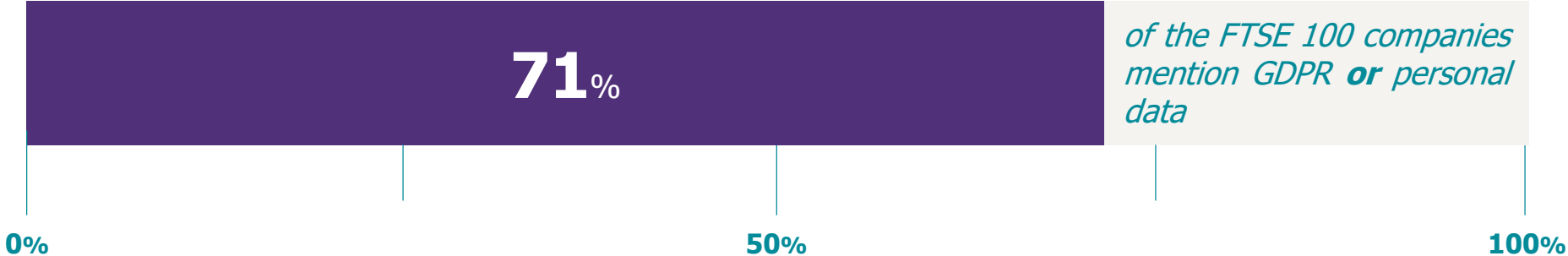




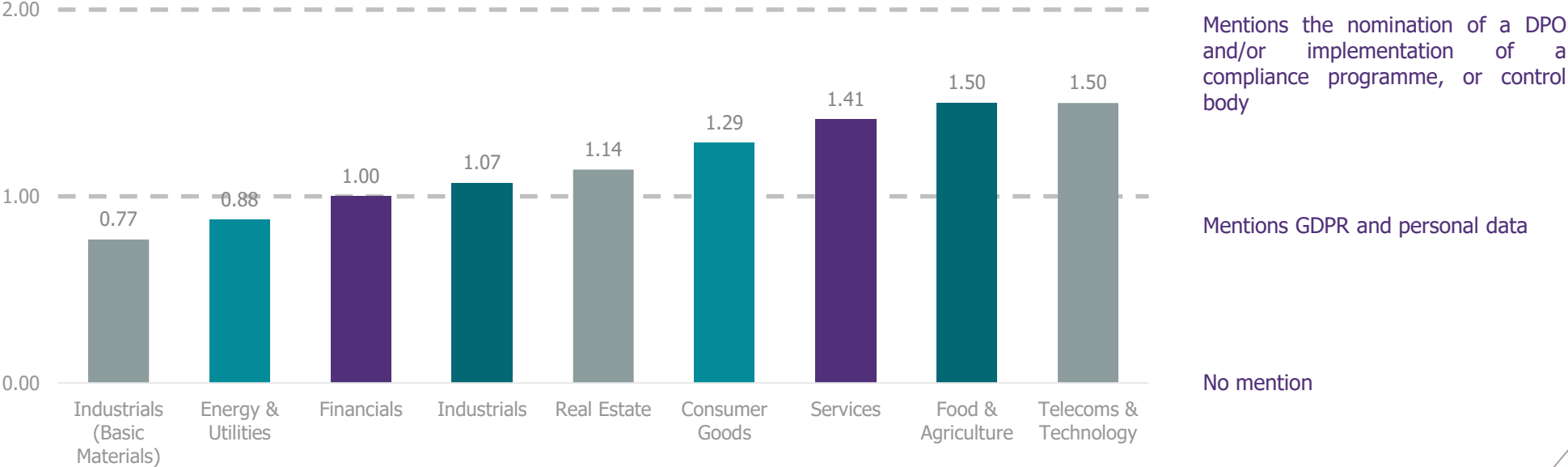
# The market is clearly recognizes the need to invest, particularly with coordinated initiatives



# GDPR\* and personal data one year on...



In a somewhat surprising revelation, 40% of companies make *no specific* reference to GDPR after roughly a year of enforcement



\*GDPR: General Data Protection Regulation

# Additional observations

## SECURITY NOT MENTIONED IN TECHNOLOGY INNOVATION

10% of companies mentioned emerging connected technologies in their annual reports.

However, none of these organisations mentioned these technologies in the context of cybersecurity, raising the question of how seriously security is being considered in emerging technology.

## MINING COMPANIES SCORE POORLY BUT INVEST TO IMPROVE

Nearly a third of Basic Materials businesses (mainly miners) placed in the lowest 20 scoring companies.

However, when scoring their understanding of cyber risk and investment in improving capability, these organisations achieved a score close to, or marginally better than, the market average. This indicates awareness of their lack of maturity and acknowledges actions to be taken to improve.

## CRITICAL INFRASTRUCTURE WORKS TO STANDARDS & REGULATION

The Energy & Utilities sector made the most consistent mentions of alignment and compliance with industry best practice standards and regulations such as NIST, ISO27001 and the NIS directive.

This is good news but not necessarily surprising; by 2020 the government will require Operators of Essential Services to have completed self assessments of NIS compliance and to have begun remediation actions.

# And to conclude



This study revealed some encouraging findings with nearly 87% of companies recognising cybersecurity as a risk to their operations. A further 12% mentioned matters related to cybersecurity, but did not consider them in relation to risk.



However, the UK market as a whole obtained a maturity score of 9.09, coming in third behind the US Dow Jones (10.15) and France CAC40 (10.07).



Whilst the FTSE100's overall performance trails the US and France, the UK demonstrates the highest commitment to investment (91%) with over half of this being structured and coordinated effort, as it aims to become the safest place to live and do business online.



# APPENDIX

# Study Caveats/Limitations

- / Many constituents of the FTSE 100 have differing financial years; They therefore release their respective annual reports throughout the calendar year. As a result, observations for some of the companies analysed may be up to a year out of date.
- / This study cannot guarantee to present any given company's cyber maturity as it exists in reality. This is because scores are based only on the information that companies wish to disclose.



# Sector Definitions

Sector	Scope
Telecoms & Technology	Telecom providers, software & electronics
Financials	Banking, insurance, investment & asset management
Real Estate	Housebuilders, commercial construction/contractors
Industrials	Manufacturing, heavy/precision engineering, pharmaceuticals
Consumer Goods	Fast moving consumer goods, retail, supermarkets, tobacco
Services	Hospitality, travel, media, support services
Energy & Utilities	Oil & gas, electricity, water
Food & Agriculture	Foodstuffs
Industrials (Basic Materials)	Mining, packaging



# Assessment chart (1/2)

	Weighting	Level 0	Level 1	Level 2
Information security issues and understanding of contextualised threat for the company	3	0 points No mention	+1 point Simple mention of the issues	+2 points Detailed mention of the issues including mentions of how the threat and/or information security specific risks have developed for the business
Cyber risks and its specific impacts on the company's business taken into account	3	0 points No mention	+1 point Mention of cyber risk	+2 points Detailed mention of risk and its impacts
Information security training and awareness	2	0 points No mention	+1 point Mention of awareness for staff and/or ExCo	+2 points Mention of large scale awareness or training initiatives and/or aimed at subcontractors or other external parties
Level of Executive Committee involvement in cybersecurity matters	2	0 points No mention	+1 point Mention of ExCo's involvement	+2 points Mentions the existence of an ExCo member directly involved and responsible for information security topics based on risk control (top owner of IS risk)
Cyber risk handling and coverage: cybersecurity programme and action plan	2	0 points No mention	+1 point Mention of action plans	+2 points Mention of significant investments via a programme (i.e. 10s of M€ or a rough estimate by Wavestone if not specified)
Integrating cybersecurity into digital transformation (AI, Machine Learning, IoT, Blockchain)	1	0 points No mention	+1 point Simple mention	+2 points Detailed mention of the specific risks of new technologies and/or specific securing actions
Information Systems Security (SSI) Governance	2	0 points No mention	+1 point Simple mention of the issues	+2 points Mention of the CISO's hierarchical position and how the organisation is set up at group level



# Assessment chart (2/2)

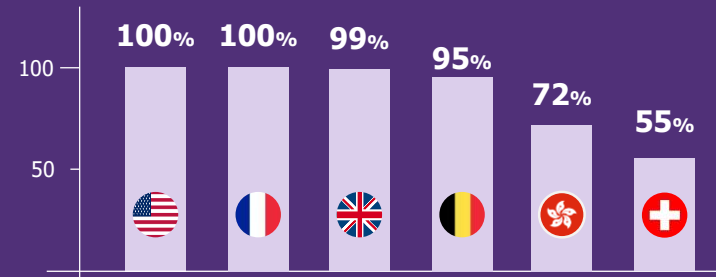
	Weighting	Level 0	Level 1	Level 2
Security of business-specific systems (Industrial control systems, anti-fraud mechanisms, payment systems, etc.)	1	0 points No mention	+1 point Mention of business-specific risks	+2 points Mention of a significant programme and investments
Privacy: GDPR, Privacy, personal data protection	2	0 points No mention	+1 point Simple mention	+2 points Mentions nomination of a DPO and/or implementation of a compliance programme, a control body
Transparency and reaction to publicly announced cyber attacks or major incidents	0	-2 points No mention of a well known incident	-1 point Mention of an incident without its remediation actions	0 point Mention of incidents accompanied by action plans and/or changes made in remediation.
Taking out a cyber insurance policy	0	0 points No mention	+1 point Mentions taking out cyber insurance	+2 points Mention of a level of cyber insurance cover above €100M
Compliance with cybersecurity regulations (NIS, PCI-DSS, French LPM, HADS, NYDFS, etc.)	1	0 points No mention	+1 point Mentions regulations	+2 points Mentions plans to comply with the stated regulations
Respect of cybersecurity standards and certifications (ISO27001, NIST, FFIEC, CIS20, SANS, etc.)	1	0 points No mention	+1 point Mention IS standards	+2 points Mentions compliance, certification or alignment to the stated standards
Information security audit risk control	2	0 points No mention	+1 point Mention of audit and cyber risk coverage measures	+2 points Mentions a specific significant or broad control plan led by the cybersecurity team / internal audit / inspectorate general

# **International analysis**

# A great involvement at a global scale

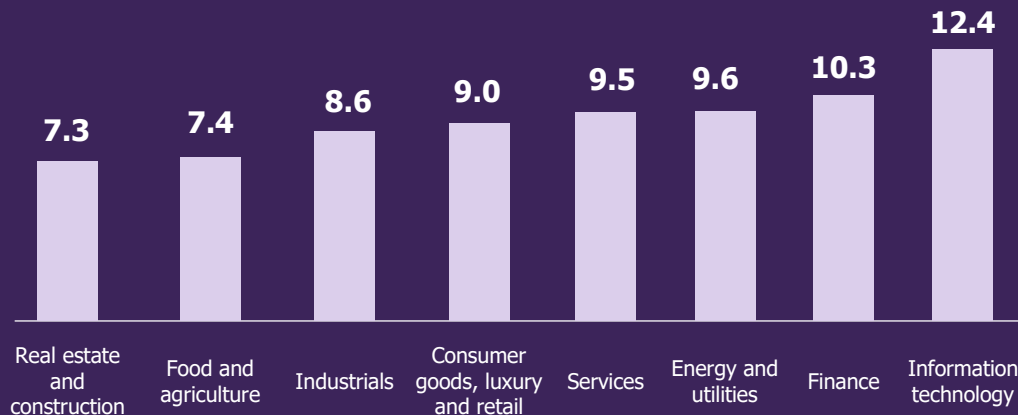
The following figures are based upon a factual analysis of the most recent financial communication, published by companies by June 1st, 2019 listed in the stock market indices where Wavestone has a point of presence: Dow Jones (🇺🇸), CAC 40 (🇫🇷), FTSE 100 (🇬🇧), BEL20 (🇧🇪), SMI (🇨🇭), HSI (🇭🇰), i.e. representing a panel of 260 companies

**90%** of companies act on cybersecurity



## Zoom on the leading countries

The following figures focus on the 190 companies listed in the four leading stock market indices

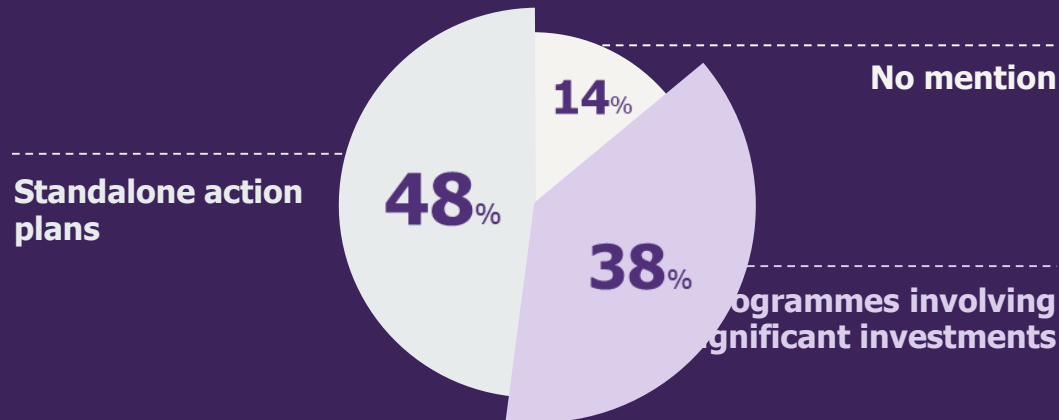


**The information technology sector leads the way, ahead of the financial sector**

# Zoom on the leading countries 🇺🇸 🇫🇷 🇬🇧 🇧🇪

**61%** address cybersecurity at Executive Committee level

Cybersecurity investments are fragmented overall



The subject matter of the year: **PRIVACY**



**80%**

mention GDPR, privacy or personal data protection

# Zoom on the leading countries

**How to build a safer future?** Companies are developing innovative technologies, yet cybersecurity is hardly part of the discussion, as it should be



**AI**

66 mention it,

4 consider cybersecurity



**IoT**

38 mention it,

3 consider cybersecurity



**Blockchain**

22 mention it,

2 consider cybersecurity



**5G**

17 mention it,

2 consider cybersecurity

**What are leading companies doing?**



**Cyber insurance**



**Supply chain security**



**Cyber resilience**



**Merger and acquisition security**



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