

A man and a woman in military uniforms are in a control room. The man, on the left, is wearing glasses and looking towards the right. The woman, on the right, is looking down at a laptop she is holding. In the background, there are several computer monitors displaying various data and maps. The room is dimly lit, with the primary light source coming from the screens.

# How to build Resilience & Trust in the Defence Sector

Funding, Reporting, ESG,  
Compliance, Risk & Cyber



The better the question.  
The better the answer.  
The better the world works.



Shape the future  
with confidence



DEFENSE SECTOR

# Building Trust, Managing Risks & Securing the Future



## SITUATION OF THE DEFENSE SECTOR

---

### What is happening?

The European and German defense sector is undergoing a phase of dynamic growth. Geopolitical tensions, the realignment of defense policy, and significantly higher national and European defense budgets have led to a sustained rise in demand for military capabilities and industrial capacities. In 2024, Germany increased its military expenditure by 28 % to around USD 88.5 billion, making it the largest spender in Central and Western Europe<sup>1</sup> with collective defense spending having grown across the EU by more than 30 % since 2021<sup>2</sup>.

Technological innovation, particularly in unmanned systems, cyber, and space technologies, is gaining importance. The global aerospace & defense market is expected to grow at a CAGR of about 6.4 % through 2029, reaching USD 1.1 trillion<sup>3</sup>. Defense, however, must be viewed as a comprehensive ecosystem. It interacts with and impacts numerous other elements of the economy, from advanced manufacturing and critical raw materials to logistics, digital infrastructure, and finance.

### What changes?

This expansion drives structural change. For industry, rapid scaling of production capacity and resilient supply chains are central. For the public sector, governance, oversight, and compliance management across increasingly complex European projects become

critical. At the same time, financial models to secure rising investment volumes, Germany's defense budget is projected to grow from ~€95 billion in 2025 to ~€162 billion by 2029<sup>4</sup> - require robust transparency and trust-building mechanisms.

### What should companies consider now?

Companies need to manage many of the risks inherent to this strong growth by securing funding, building robust financial and non-financial reporting processes, strengthening internal controls, being compliant and resilient to crisis, protecting from cybersecurity

threats and transforming IT. Read on to find out how defense specific challenges can be tackled to sustain regulatory confidence, build resilience and achieve stakeholder trust.

# IPO and Funding

## How can growth be financed in the defense sector?

Implications of geopolitical tensions generate new growth opportunities and innovation potentials in the value chain of the defense industry. In this situation companies evaluate the strategic options of capital markets to fund these expansion plans and new alliances. Getting ready is key making use of the positive market sentiment in equity and bond markets.

### CHALLENGES

- **Strategy evaluation**  
Does an IPO, uplisting or bond issuance make sense to fund opportunities?
- **Prepare the IPO roadmap**  
Which internal and external resources are needed to meet IPO milestones and to get IPO ready?
- **Team and readiness PMO**  
Who is managing the IPO and transformation project with external advisors and internal stakeholders?
- **Compliance and investor attention**  
How do we stay compliant in IR and capital market disclosures and with corporate governance?
- **Getting capital markets ready**  
What changes (disclosures, infrastructures, processes and tools) and deliveries are key for a successful debut in capital markets?



Contact  
Martin Steinbach

+49 6196 996 11574  
Martin.Steinbach@de.ey.com



## SOLUTIONS

### IPO readiness health checks and assessment

**Holistic IPO readiness assessment:**

Interviews, interactive workshop, binder with checklists, benchmarks and best practices.

**IPO destination assessment:**

Evaluation of the stock exchange options and listing segment choices.

**Detailed assessment results report and action list:**

Identified gaps, target status, workstreams recommended and roadmap.

### Readiness PMO and IPO advisory

**Detailed roadmap for PMO:**

Planning of workload, allocation to workstreams and personal ownership for each critical milestone.

**PMO Capital market readiness (CMR):**

Efficient management and monitoring of CMR progress based on CMR actions in roadmap and review workstream deliveries.

**IPO advisory:**

Beauty parades, index, investor relations including onboarding the boardroom.

### Financial disclosure and IR infrastructure

**IR function infrastructure:**

Set-up and big picture of the investor relations function based on leading practices and benchmarks.

**IR manual with owners and process documentation:**

Roles, infrastructure and processes organizational chart and IR goals.

**IR toolkits:**

Disclosure committee, financial calendar, selection of disclosure tools.

# Reporting

## How can defense organizations ensure transparency without compromising on confidentiality?

Defense companies operate with highly sensitive data and information and therefore have a strong demand for robust processes and control systems. At the same time, with the rapid growth of the defense industry, the demand for optimization and digitalisation of accounting processes increases. M&A deals, and the complex business environment require a thorough understanding of the regulatory requirements. Our services support you to respond to these challenges.

### CHALLENGES

- **Sensitive information**  
Defense entities operate in a very sensitive environment, requiring a high level of data security and strong control system.
- **Demand for efficient finance processes**  
The rapidly growing defense industry and the short reporting deadlines to capital markets and investors require efficient finance processes.
- **Management decisions**  
The strong industry growth brings both business opportunities and risks, and therefore require well-founded strategic decisions.
- **Mergers & Acquisitions**  
M&A deals require a thoroughly planned Post Merger Integration and the harmonization of accounting processes.
- **Complex business**  
Customers within the defense sector are often armies and government bodies, requiring complex contractual regulations, which leads to complexity in accounting, e.g. for revenue recognition.





Contact  
Wolfgang Maier

+49 89 14331 28039  
Wolfgang.Maier@de.ey.com



## SOLUTIONS

### Governance, Risk & Controls

**Optimization of Internal Control Systems:** Strengthening internal controls to reduce risks, improve financial reliability and ensure compliance with regulatory requirements.

**Accounting support for cyber security:**

If in worst case a cyber incident has incurred, we have thorough experience in the recovery of reporting.

### Financial Process & Systems Optimization

**Optimization and Digitalization of Finance Processes** including Record-to-Report, Purchase-to-Pay, Order-to-Cash, Controlling, Fast Close.

**Accounting support throughout ERP transformations**, e.g. during an SAP S/4 HANA transformation.

**Implementation of reporting and consolidation solutions**, e.g. with **EPM solutions** like CCH® Tagetik and Lucanet.

### Financial Planning & Analysis (FP&A)

**Setting Up / Optimization of FP&A processes:** Design of best practice FP&A processes to support business decisions.

**System support:** Implementation of systems to automatize FP&A processes.

**Managed Services:** Day-to-Day support of Performance Management functions.

### Transaction & Technical Accounting

**Post Merger Integration after acquisitions**, including IFRS Conversion, Day-One Reporting, Purchase Price Allocation incl. valuations, setting up reporting processes.

**Technical Accounting Support:** Ensuring accurate accounting, especially in complex areas like revenue recognition according to IFRS 15, or for the implementation of new standards like IFRS 18.

# Sustainability

## How can sustainability strengthen resilience across financial, operational and digital domains and turn into a success factor for defense companies?

Germany and the European defence sector are experiencing rapid growth due to increased geopolitical tensions and rising defence budgets, with Germany's spending reaching around \$89 billion in 2024<sup>1</sup>. Sustainability considerations are now essential for attracting investment and ensuring legitimacy, especially as recent conflicts have underscored defence's role in safeguarding democratic values and human rights. Technological innovation and structural changes are reshaping the industry, requiring companies to scale production, strengthen compliance and integrate sustainability into core strategies to meet green tenders' requirements. To succeed, defence firms must build transparency, manage ethical risks and ensure resilience across financial, operational and digital domains.

### CHALLENGES

- **New Regulations & Compliance**  
Adapting to CSRD, EU Taxonomy and sustainable finance (SFDR)/ supply chain requirements as well as ESMA guidelines.
- **Stakeholder & Investor Pressure**  
Growing demand for transparency, accountability, and credible ESG disclosures also for public tenders.
- **Reporting Deadlines & Governance**  
Urgency to meet regulatory timelines despite limited ESG know-how or structures.
- **Capital Market Readiness**  
Preparing for IPOs and aligning with investor expectations through robust sustainability reporting.
- **Sustainable Growth & Resilience**  
Driving low-carbon and circularity strategies, meeting climate goals, and future proofing the business.





Contact  
Caroline Pfaff

+ 49 30 25471 11847  
Caroline.Pfaff@de.ey.com



## SOLUTIONS

### CSRD & EU Taxonomy Readiness

#### CSRD Readiness Support:

Assess current practices, identify gaps, and design a roadmap to achieve CSRD compliance.

#### Double Materiality Assessment:

Assess and prioritize sustainability impacts, risks, and opportunities to identify the company's most material issues.

#### EU Taxonomy Support:

Map activities to EU Taxonomy to ensure compliance and boost sustainable investment appeal.

### Reporting Support

#### Skeleton Report:

Build the foundation: outline key themes, metrics, and data sources to structure future sustainability reporting (early-stage, framework creation).

#### CSRD Report Preparation:

Deliver the outcome: draft and compile complete ESG disclosures in line with CSRD and stakeholder needs. (execution stage, actual reporting).

#### Sustainable supply Chain:

Support on criteria setting and audits.

### Climate Strategy

#### Climate Transition Plan:

Develop actionable strategies and targets for a low-carbon business model.

#### GHG Emissions Baseline:

Calculate emissions across all scopes to set reduction pathways and set net-zero goals through decarbonization Workbench.

#### Climate Risk & Resilience:

Evaluate physical and transition risks and strengthen business resilience.

#### Circularity Strategy:

Set-up AI cases for recycling.

# Technology

---

## How can defense leaders balance resilience and innovation in technological transformation?

Defense companies must prioritize compliance with regulations like KRITIS and NIS2 to ensure cybersecurity, protect critical infrastructure, and support national security, evermore considering rising geopolitical threat actors. At the same time, adopting digital transformation and AI is key to modernizing operations and staying competitive.

### CHALLENGES

- **New Regulations & Compliance**  
Fulfilling Security Frameworks to guarantee cyber & physical security.
- **Artificial intelligence**  
Leveraging AI Capabilities while incorporating "Trust in AI".
- **Cloud Transformation**  
Moving Infrastructure into a defense suitable Cloud environment.
- **IT Transformation**  
Effective Risk and Control Management while implementing digital Transformation.
- **Business Continuity Management**  
Analysing & Implementing effective Resilience Plans for Business Continuity and Crisis Management.



Contact  
Patrick Schneider

+4916093917890  
Patrick.H.Schneider@de.ey.com



## SOLUTIONS

### Cyber and Regulatory Compliance

#### KRITIS Audit & Readiness:

Preparation or execution of a KRITIS audit including BSI reporting according to §8a (3).

#### NIS2 Compliance Services:

NIS2 scoping, readiness assessment, implementation support, leadership training and tool based EU-Country requirement overview.

#### Cyber Resilience Act (CRA):

CRA-Readiness Assessments, implementation support and training.

#### Critical Entities Resilience Directive & KRITIS Dachgesetz:

Readiness Assessment and implementation support.

### IT Governance

#### IT ICS Advisory:

Assessing and enhancing internal controls for IT processes and service providers.

#### IAM Advisory:

Evaluating maturity and implementing governance for effective access management.

#### Business Continuity Management:

Assessing maturity and supporting Business Continuity Management and Crisis Management implementation.

#### Data Governance:

Establishing and improving data governance, including AI assurance support.

### IT Transformation

#### IT Transformation Assurance:

Examination or support for your IT transformation with a focus on risk management.

#### Cloud Transformation:

Examination or support for a secure cloud transformation.

#### SAP S&T Assurance:

Examination or support for a safe S/4 transformation, assistance in establishing a „Secure & Compliant S/4“.

#### AI Assurance:

Ensure safety and trust in AI systems.

# Compliance Services

## How can defense organizations strengthen compliance while scaling operations?

Defense companies operate in one of the most sensitive and regulated environments worldwide. Managing compliance risks, including anti-money laundering, sanctions, export control, and the prevention of undue influence on public officials, is critical for sustainable growth and stakeholder confidence.

Forensics Services support defense organizations in navigating complex challenges across compliance, investigations, disputes, and forensic technologies ensuring transparency, safeguarding reputation, and strengthening operational resilience.

### CHALLENGES

- Regulation and Sanctions  
New regulations and sanctions that have an impact on the export of defense.
- Suspicion of fraud or Asset misappropriation  
Unexplained financial movements, ghost employees, or misuse of funds.
- Insider threats or espionage  
Anomalies suggesting internal sabotage or intelligence leaks.
- Contractual Dispute  
Conflicts over deliverables, pricing, or performance that require forensic analysis of records and communications.
- Cybersecurity breach  
Malware infections, unauthorized access, or data exfiltration incidents.





Contact  
Andreas Frank

+ 49 30 25471 19631  
Andreas.H.Frank@de.ey.com



## SOLUTIONS

### Integrity & Compliance

**CMS Audits:**

Audits to assess a Compliance-Management-System (CMS): IDW AaS 980.

**Compliance Advisory:**

Tailored advice to develop compliance processes (i.e. Third-Party-Management (TPM) process incl. sanctions).

**IPO Compliance Readiness:**

Assistance in preparing the CMS for public market entry.

**Third-Party Assessments:**

Compliance evaluations and background checks of third parties based on Corporate and Open Source Intelligence (C\_OSINT).

### Investigation & Crisis Management

**Forensic Investigation:**

Support in investigating suspected white-collar crime utilizing forensic analytics, eDiscovery, research and interviews, and delivering evidence-based reporting.

This includes forensic accounting and balance sheet analysis, employing AI-driven functions such as clustering, thematic sorting, semantic search, and relevance ranking.

**Crisis Management:**

Establish and manage crisis processes, including risk assessment, planning, training, detection, and post-crisis evaluation.

### Dispute & Litigations

**Disputes & Conflict Resolution:**

Assess complex financial and economic issues, presenting standpoints in legal and arbitration proceedings, and conducting independent and objective damage assessments.

### Forensic Technologies

**Cyber Response:**

Responding to cyber incidents through forensic IT investigations, regulatory response, data analysis, and post-incident recovery.

**eDiscovery & Data analytics:**

Global data collection, case assessment, and analysis of structured data using advanced technologies, aiding investigations and regulatory responses.

# Your contacts at EY



**Dirk Machner**  
Partner  
Middle Market Leader  
Assurance EY Germany

+49 40 36132 25915  
Dirk.Machner@de.ey.com



**Andreas Frank**  
Partner  
Compliance  
Services

+49 30 25471 19631  
Andreas.H.Frank@de.ey.com



**Dr. Martin Steinbach**  
Partner  
IPO & Listing Services

+49 6196 996 11574  
Martin.Steinbach@de.ey.com



**Caroline Pfaff**  
Partner  
Sustainability Services

+ 49 30 25471 11847  
Caroline.Pfaff@de.ey.com



**Dr. Wolfgang Maier**  
Partner  
Reporting Services

+49 89 14331 28039  
Wolfgang.Maier@de.ey.com



**Patrick Schneider**  
Director  
Technology Services

+4916093917890  
Patrick.H.Schneider@de.ey.com

## EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

“EY” and “we” refer to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

© 2025 EY GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft All Rights Reserved.

ABC JJMM-123ED None

This presentation has been prepared for general informational purposes only and is therefore not intended to be a substitute for detailed research or professional advice. No liability for correctness, completeness and/or currentness will be assumed. Neither EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft nor any other member of the global EY organization can accept any responsibility.

[ey.com/de](https://ey.com/de)





ey.com