



**ARMSCOR**

Armaments Corporation of South Africa SOC Ltd

# Armcor's Corporate Plan 2022



**ARMSCOR'S**  
**CORPORATE PLAN**  
**2022**

*"Gateway to Defence Solutions"*

Date of Tabling: 9 March 2022

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## 1. Foreword by the Minister of Defence and Military Veterans



It is my pleasure to present to the National Assembly, Armscor's Corporate Plan for the 2022/23 financial year.

The Corporate Plan outlines the priorities and plans of Armscor for the financial year, aligned to the Department of Defence's Strategic Plan 2020-2025, Armscor's mandate and government's priorities and to provide direction on the development and implementation of strategic priorities and policies.

The Sixth Administration of the democratic government pronounced key deliverables, which required The Presidency to review its strategic posture. Accordingly, it has had to review its aims to better align with government's 5-year NDP Implementation Plan and the seven priorities, which informed government's five-year MTSF 2019-2024.

The COVID-19 pandemic changed the landscape within which public entities operate and they are therefore expected to adjust their operations to address the new environment and new priorities. There is an urgent need to boost levels of economic growth and economic recovery, support transformation and build a capable state.

As a public entity, Armscor has an important role to play to ensure that the country's short-, medium- and long term development goals as laid out in the national strategic imperatives such as the National Development Plan, Vision 2030, Medium Term Strategic Framework, to name a few are realised and institutionalised.

As an important arm of the Department of Defence (DOD), Armscor operates within the constitutional and legislative imperatives to execute its mandate within a framework of good governance and fiscal discipline. Furthermore, it plays a crucial strategic role in the defence of our country and the fulfilment of our international obligations, whilst maintaining principles of good leadership, transformation, service delivery, financial sustainability and collaboration with the Defence family.

Armscor continued to provide support for SADI through its participation at the National Defence Industry Council (NDIC). We have also been adhering to the requirements of the Defence Sector Code, which aim to increase participation of the black owned companies in the defence industry. My Ministry and I are fully behind Armscor to implement the Defence Sector Charter to transform the South African Defence Industry in line with other sectors of economic activity, as far as broad-based black empowerment is concerned. Those wanting to participate in an

inclusive and transformed defence industry have these charter codes as deliverables. Armscor supported the launch of the Defence Industry Fund, which provides a financial solution to the challenges that most SMMEs face.

Armscor remains responsive to the developmental state agenda by contributing to job creation and transformation, by making a meaningful impact in communities and ensures that young people are capacitated with science, engineering and technology opportunities to succeed and be enabled to meet the global demands of the defence industry.

The 2022 edition of the Africa Aerospace and Defence (AAD) exhibition is once more upon us and we are confident that the executive, Armscor and its strategic partners will bring the world to Africa to experience its world-class leading and innovative technologies in the aerospace and defence sectors.

The Department of Defence will continue to pursue the resourced pursuit and implementation of the principles and strategic direction articulated in the SA Defence Review 2015. The South African Defence Review 2015 and implementation plan further inform Armscor's Strategy and implementation plans. To this end, the Corporate Plan articulates the ongoing support by Armscor to the National Development Plan, Vision 2030, and Medium Term Strategic Framework (2019 – 2024) outcomes of government and the State of the Nation Address. It emphasises the key performance outputs, outcomes, and impact of Armscor during the 2022/23 financial year.

My Ministry and I are fully committed to provide the necessary shareholder support and political guidance to Armscor. This will enable to meet its mandate and maintain shareholder confidence. I believe that Armscor will execute its mandate through the Corporate Plan 2022/23 financial year with professionalism and commitment.



**Ms TR MODISE**

**MINISTER OF DEFENCE AND MILITARY VETERANS, MP**

**Date: 28 February 2022**

## 2. Foreword by the Chairperson



Armcor faces a number of challenges in the year ahead. Its corporate plan has defined a pathway to address these. Armcor has the capacity to deliver on its core mandate and for its key client, the SANDF. But if it is to progress forward, the legacy issues the organisation has will have to be addressed. These challenges include the declining defence budget and the ever-diminishing capacity of Denel. Another is the losses caused through project failures and the theft of intellectual property by a number of parties. None of these objectives will be achievable unless the various players in government and the private sector work together to address them. The reality we face is that Armcor cannot achieve its objectives if the challenges facing the SANDF, Denel and the private sector are not addressed.

A key challenge, such as changing Armcor's capabilities while it faces a budget crunch, illustrate the complexity of the entity's existence. Similarly, building Armcor's commercial potential without being able to hire the necessary skills is another. The irony of the defence sector and industry is that it has within it a variety of valuable assets that can be unlocked to ensure the necessary resources are available to effect the change needed. The manner in which government functions and the challenges in the sector mean that the environment necessary to ensure this coordination is lacking.

The current Board has been in office for one year. While it has seen improvements in the governance and capacity at Armcor, largely because of the sterling efforts of the executives and staff at the entity, the reality is that what has been achieved is not enough to make the qualitative leap that is needed possible. Looking at the geopolitical environment, we must recognize the potential threats to our sovereignty and to the safety of our citizens. A strong, efficient and effective Armcor is crucial to ensuring that the SANDF is ready to meet these challenges. The same can be said in terms of the internal political volatility of our country.

The Board of Directors of Armcor remains committed to ensuring good governance and to support the Executives and staff at the company. It will also work to ensure that the necessary cooperation and coordination is achieved to get the partnerships working to achieve its mandate.

A handwritten signature in black ink, appearing to read 'PD Dexter', with a long horizontal line extending to the right.

**Dr PD Dexter**  
**Chairperson: Board of Directors**  
**Date: 28 February 2022**



### 3. Foreword by the Chief Executive Officer



Armscor is a National public entity and supports Government's priorities. The Corporate Plan is premised in the context of Armscor's support to the overall thrust of the National Development Plan (NDP), Vision 2030, the Medium Term Strategic Framework (MTSF) 2019 – 2024 and the State of the Nation Address. The strategic focus of Government and its on-going commitment to build a stronger and effective State that is able to respond to the needs and aspirations of the people of South Africa as articulated by these MTSF goals.

Armscor as part of the Defence Sector, which is one of the top seven priority sectors identified to revive the SA economy, participated in the Public-Private Growth Initiative (PPGI). The organisation also supports the President's PPGI in focusing the defence industry and defence related industries to enhance its socio-economic value. In line with the NDP Vision 2030, the collaboration between the public and private sector will assist in realising the development objectives as set out in the NDP and will contribute towards the fulfilment of our international obligations as stated in the Sustainable Development Goals.

The Defence Sector Charter, spearheaded by Armscor together with National Defence Industry Council (NDIC), seeks to transform the defence industry. Armscor and the DOD contributed to forming the Defence Industry Fund (DIF) to make the local defence industry Small, Medium and Micro Enterprises (SMMEs) globally competitive; and also contribute/support transformation of the industry by introducing new entrants into the industry, while ensuring security of supply of strategic and sovereign capabilities to the SANDF. Armscor will continue playing its part in ensuring that the objectives of the Defence Sector Charter are realised.

The scale of the budget reductions over the years, coupled with the economy's poor performance and exacerbated by COVID-19, has had serious consequences for the Defence Industry. Armscor has had to adapt to a new thinking and adjust the way it conducts its business. Armscor Board has approved the commercialisation strategy for implementation. This strategy seeks to mitigate the negative impact of the declining defence budget and to reposition Armscor as a sustainable organisation. It will serve as a guide in ensuring that Armscor tap into a commercial market to achieve its revenue generating objectives.

Armscor remains committed to its vision, mission and four strategic outputs, namely: Revenue Generation, Cost Management, Efficient and Effective Delivery and Stakeholder Management, which are embedded in the Corporate

Plan. In addition, Armscor's strategy, "On-Time, In-Time: Towards a Sustainable Future" underpins the Corporate Plan and has its own independent significance. The strategy is based on its relevance and the sustainability of the Corporation, hence the focus on the commercialisation and expansion of Armscor's services to a wider client base and looking at opportunities for partnerships with other defence procurement authorities around the world. These partnerships can act as bridges between them and others in the African continent that are looking for high-tech but used defence commodities. These ties in with our strategy of On-Time, In-Time: Towards a Sustainable Future. The Corporate Plan seeks to outline Armscor's plan for the 2022/23 financial year. It highlights actions to be taken in implementing the Corporation's strategy.

Armscor continues to deliver on its mandate despite difficult global and local economic conditions. The Corporation positioned itself as the primary procurement partner for the South African Government's security cluster; sweating our own assets; sourcing contracts from foreign governments through government to government contracting and through Intellectual Property exploitation. Armscor strives to become a knowledgeable partner that proactively supports the DOD with the development of acquisition of equipment to meet variations in the complexity of the DOD's operation environment. Armscor's ability to handle and manage complex acquisition projects to other government departments and state owned entities remains to be a firm opportunity.

Armscor recognises the importance of engaging and collaborating with the communities and continues to play a meaningful role in community development, through Corporate Social Investment. Armscor's Human Development Capital Programme, forms part of the Corporate Social Investment, focusing on continuous learning and development. Much has been done on education to assist learners from previously disadvantaged communities to improve their performance and results in science, technology, engineering and mathematics.

Armscor together with our partners: Aerospace Defence and Maritime Industries Association of South Africa (AMD), Civil Aviation Association of Southern Africa (CAASA) and Department of Defence (DOD), will be hosting the largest Africa Aerospace and Defence Exhibition (AAD 2022) event scheduled for 21 – 25 September 2022.

None of these strategic initiatives would be possible without the role of our Board and Shareholder.

Armscor believes significant value shall be added in the execution of its mandate during the period covered by the Corporate Plan.



**Adv. SP Mbada**

**Chief Executive Officer**

**Date: 28 February 2022**

#### 4. Official sign-off

It is hereby certified that this Armscor Corporate Plan 2022:

- a. was developed by Armscor Strategic Planning, with the Executive Committee, under the guidance of the Armscor CEO and direction by the Minister of Defence and Military Veterans as an Executive Authority;
- b. was prepared in line with the relevant Armscor policies, legislation, and other mandates for which Armscor is responsible;
- c. accurately reflects the performance information (performance indicators and targets) Armscor will endeavour to achieve, within the available resources for the 2022/23 Financial Year framework; and
- d. that the performance information included in this Corporate Plan has been and will be developed, managed, and stored.



**Ms K Neonakis**

**Senior Manager:**

**Corporate Strategy and Planning**

**Date: 28 February 2022**



**Adv. NB Senne**

**Group Executive: Business Assurance**

**Date: 28 February 2022**



**Mr JG Grobler**

**Chief Financial Officer**

**Date: 28 February 2022**



**Adv. SP Mbada**

**Chief Executive Officer**

**Date: 28 February 2022**



**Dr PD Dexter**

**Chairperson: Board of Directors**

**Date: 28 February 2022**



**Ms TR Modise**

**Minister of Defence and Military Veterans, MP**

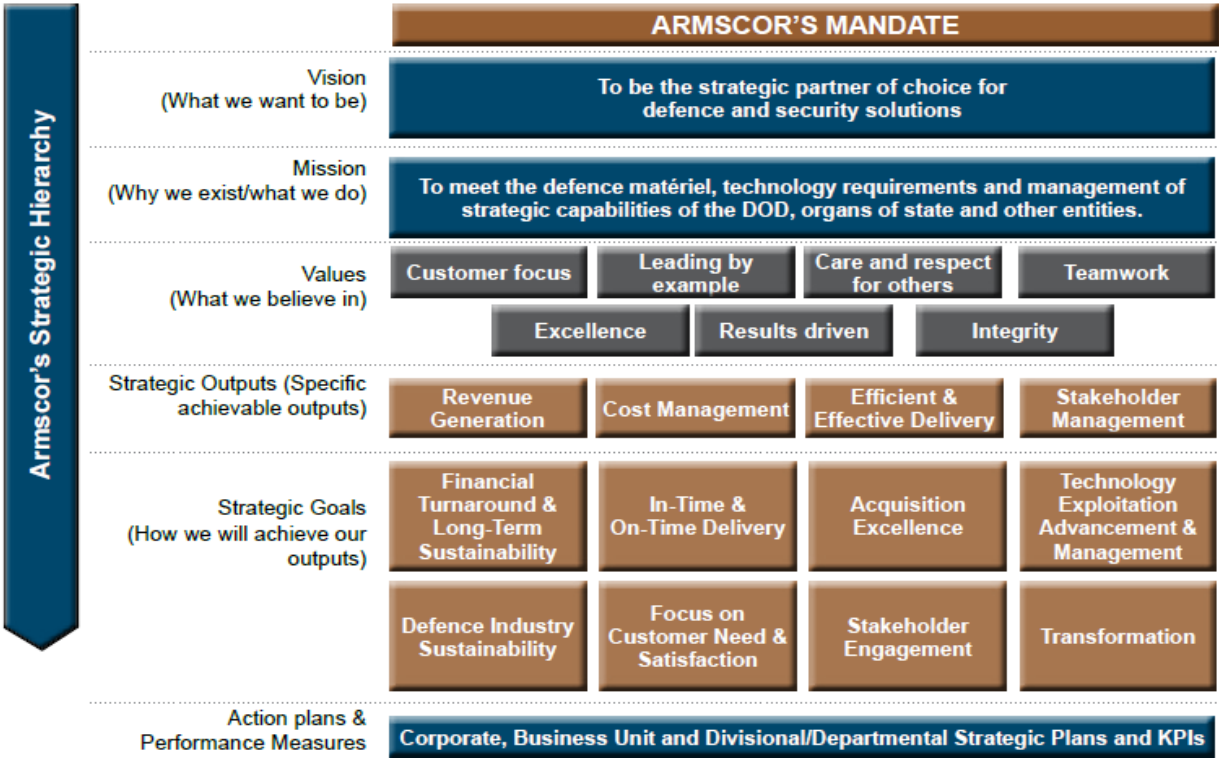
**Date: 28 February 2022**

**PART A: ARMSCOR’S MANDATE**

Armcor’s Strategy has multiple levels consisting of its mandate, vision, mission, values, and key performance indicators, as well as strategic outputs, goals, and plan.

The current plan details the outputs and goals at Corporate Level. The Corporate Plan is aligned to Armcor’s Strategy of “On-Time, In-Time: Towards a Sustainable Future”. Furthermore, the Corporate Plan is aligned to the SA Defence Review 2015. The strategic plans for the sub-levels of the Corporation are aligned with the Corporate Plan and, therefore, are also aligned to the Corporation’s mandate, vision, mission and values. Figure 1 summarises the components of Armcor’s Strategy.

**Figure 1: Components of Armcor’s Strategy**



**5. ARMSCOR’S VISION**

To be the strategic partner of choice for defence and security solutions.

**6. ARMSCOR’S MISSION**

To meet the defence matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities.

**7. ARMSCOR’S VALUE SYSTEM**

Armcor’s values are the building blocks of the manner in which it conducts its business. Armcor believes in the highest standards and is committed to transformation, transparency, and accountability. We, members of Armcor, pledge commitment to the values as set out in Figure 2.

**Figure 2: Armscor’s Value System**



**8. ARMSCOR’S MANDATE**

Armscor adheres to accepted corporate governance principles, best practices, and generally recognised accounting practices (GRAP) within a framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability, and lawfulness.

8.1 The objectives and mandate of Armscor are defined in the Armaments Corporation of South Africa SOC Limited Act (Act No. 51 of 2003) as follows:

- 8.1.1 The objectives of Armscor are to meet:
- the defence matériel requirements of the DOD effectively, efficiently, and economically; and
  - the defence technology, research, development, analysis, and test and evaluation requirements of the DOD effectively, efficiently, and economically.

8.1.2 The functions of Armscor are defined in the Armaments Corporation of South Africa SOC Limited Act (Act No. 51 of 2003) as follows:

Armscor must:

- Acquire such defence matériel on behalf of the DOD, as the DOD may require.
- Manage such technology projects, as may be required by the DOD.
- Maintain a programme management system in support of acquisition and technology processes.
- Provide for quality assurance capability in support of:
  - the acquisition and technology processes; and
  - any other service contemplated in this section required by the DOD.
- Maintain a system for tender and contract management in respect of defence matériel and, if required in a service level agreement or if requested in writing by the Secretary for Defence, the procurement of commercial matériel.
- Dispose of defence matériel in consultation with the instance which originally manufactured the matériel.
- Maintain the compliance administration system for the DOD, as required by the applicable international law, the National Conventional Arms Control Act (Act No. 41 of 2002), and the Non-Proliferation of Weapons of Mass Destruction Act (Act No. 87 of 1993).

- Support and maintain such strategic and essential defence industrial capabilities, resources and technologies as may be identified by the DOD.
- Provide defence operational research.
- Maintain the defence industrial participation programme management system.
- Provide marketing support to defence-related industries, in respect of defence matériel, in consultation with the DOD, and the defence-related industries in question.
- Manage facilities identified as strategic by the DOD in the service level agreement.
- Maintain such special capabilities and facilities as regarded by Armscor not to be commercially viable, but which may be required by the DOD for security or strategic reasons.

8.1.3 Armscor may, with the approval of the Minister of Defence and Military Veterans:

- exploit such commercial opportunities as may arise out of Armscor's duty to acquire defence matériel or to manage technology projects; and
- procure, commercial matériel on behalf of any organ of state, at the request of the organ of state in question.

8.2 Subject to the National Conventional Arms Control Act (Act No. 41 of 2002), Regulation of Foreign Military Assistance Act (Act No. 15 of 1998), and the Non-Proliferation of Weapons of Mass Destruction Act (Act No. 87 of 1993), Armscor may perform any function for or on behalf of the DOD or on behalf of any sovereign State. The Minister of Defence and Military Veterans may impose such conditions in respect of the performance of a function, as may be necessary in national interest.

Management of the intellectual property (IP) is owned by the DOD as provided in Section 22 of the Armscor Act of 2003 (Act No. 51 of 2003). Armscor is responsible for "Section 22(1): Notwithstanding any other law, all IP rights in any product, service, item, method or any other thing of any nature vested in the Department, must be held into custody of the Corporation on behalf of the Department. Section 22(2): The Corporation must manage and utilise intellectual rights acquired for and on behalf of the Department as directed by the Secretary for Defence in a service level agreement".

8.3 Armscor's mandate entails the following:

8.3.1 Product Life Cycle:

- Armscor renders acquisition management to the DOD and the SANDF throughout the life cycle of a product. These services are reflected in Figure 3:



- vi. National Environment Management Act No. 107 of 1998
- vii. National Environmental Management: Waste Act No. 59 of 2008
- viii. Hazardous Substances Act No. 15 of 1973
- ix. Protection of Personal Information Act No. 4 of 2013
- x. Public Finance Management Act No. 1 of 1999 (As amended)
- xi. Companies Act No. 71 of 2008 (As amended)
- xii. Preferential Procurement Policy Framework Act No. 5 of 2000 & Preferential Procurement Regulations
- xiii. Broad – Based Black Economic Empowerment (B-BBEE) Act No. 53 of 2003
- xiv. The Promotion of Access to Information Act No. 2 of 2000
- xv. Promotion of Administration Justice Act No. 3 of 2000
- xvi. Prevention and Combating of Corrupt Activities Act No.12 of 2004 (As amended)
- xvii. Defence Special Account Act No. 18 of 2005
- xviii. Control of access to public premises and vehicles Act No. 53 of 1985
- xix. Protected Disclosures Act No. 26 of 2000
- xx. Basic Conditions of Employment Act No. 75 of 1997
- xxi. Labour Relations Act No. 66 of 1995
- xxii. Employment Equity Act No. 55 of 1998
- xxiii. Disaster Management Act No. 57 of 2002 – Regulations Government Notice R480 of 29 April 2020
- xxiv. Direction by the Minister of Employment and Labour in terms of Regulation 4 (10) of the Regulations R480 of 29 April 2020
- xxv. Compensation of Occupational Injuries, Diseases Act No. 130 of 1993
- xxvi. Unemployment Insurance Act No. 63 of 2001
- xxvii. Promotion of Equality and Prevention of Unfair Discrimination Act No. 4 of 2000
- xxviii. Non-Proliferation of Weapons of Mass Destruction Act No. 87 of 1993
- xxix. National Conventional Arms Control Act No. 73 of 2008
- xxx. Regulation of Interception of Communications and Provisions of Communications Related Act No. 70 of 2002
- xxxi. Explosives Act No.15 of 2003
- xxxii. Firearms Control Act No. 60 of 2000
- xxxiii. Prescribed Rate of Interest Act No. 55 of 1975 (As amended)
- xxxiv. Public Audit Act No. 25 of 2004 (As amended)
- xxxv. National Archives and Records Service of South Africa Act No. 43 of 1996
- xxxvi. Use of Official Languages Act No. 12 of 2012
- xxxvii. Electronic Communications and Transactions Act No. 25 of 2002
- xxxviii. King IV Report on Corporate Governance for South Africa 2016
- xxxix. National Treasury Circular No. 03 of 2015/2016 - Central Supplier Database
  - xl. National Treasury Supply Chain Management (SCM) Instruction No. 2 of 2016/2017 - Procurement Plans-submissions and reporting
  - xli. National Treasury Instruction No. 2 of 2016/2017 - Cost Containment Measures
  - xlii. National Treasury SCM Instruction No. 3 of 2016/2017 - Preventing and combating abuse in the SCM system



- xl.iii. National Treasury SCM Instruction No. 5 of 2016/2017 - Outstanding payment due to suppliers/ creditors exceeding 30 days after submission of a valid invoice
- xliv. National Treasury Instruction No. 4 of 2017/2018 – Revised Cost Containment Measures related to travel and subsistence
- xlv. National Treasury SCM Instruction No. 7 of 2017/2018 - Tax Compliance status
- xlvi. National Treasury Instruction No. 2 2019/2020 Irregular Expenditure Framework (As amended)

## 9.2 The South African Defence Review, 2015

The SA Defence Review 2015 is the South African National Policy on Defence and represents a comprehensive national review of the defence function within the context of changes to the security environment, both domestically and globally. The SA Defence Review 2015 was approved by Cabinet on 19 March 2014 and endorsed by the National Assembly and the National Council of Provinces on 4 and 24 June 2015 respectively.

In line with the Terms of Reference, the SA Defence Review 2015 covered the domains of Defence Policy, Defence Strategy and high-level Defence Doctrine. It also informs the intended development trajectory of the defence function over the medium to long term and as such, will continue to inform departmental policies, strategies and plans. Furthermore, it provides three strategic policy options that seek to align defence capabilities towards future relevance and sustainability.

The Defence Review Committee put forward strategic policy options. These options linked to fiscal scenarios, which would allow the Executive and the Legislature to deliberate and determine the level of defence that South Africa required and could afford. The three strategic defence policy options for consideration were:

- Option 1: Optimise Defence within constraints.
- Option 2: Grow Defence independently.
- Option 3: Develop Defence through strategic partnerships.

The Defence Review Committee reflected on South Africa’s fiscal challenges at that time and recommended Policy Option 1 as a sustainable policy position for South Africa to pursue. However, after extensive consultation with Cabinet and other stakeholders, Policy Option 2 was selected and approved by Cabinet and subsequently endorsed by Parliament.

The selected Policy Option 2 focuses on the maximum preservation of the sovereignty of the defence function and posits a level of defence ambition that is commensurate with South Africa’s national strategic requirement, as well as the role that South Africa is expected to and should pursue on the African continent in terms of South African Foreign Policy on continental stability.

The SA Defence Review 2015 reflects on the Defence Outcomes (Goals) and Outputs (Tasks) to be pursued by Defence (Figure 4), and informs the DOD Vision, Mission and Results Based Model Impact Statement as articulated in the DOD Adjusted Strategic Plan (2020 - 2025), namely: “Enhance and contribute to peace, security and stability in the Republic of South Africa (RSA), Region, Africa and the world through the application of appropriately resourced and sustained defence capabilities”.

The SA Defence Review 2015 Goals 1 to 4 and the associated tasks, are linked to the National Priorities for the 2019 - 2024 MTSF, and more specifically referenced to MTSF Priority 6 “Social Cohesion and Safer Communities” and MTSF Priority 7 “A Better Africa and a Better World”. The latter MTSF priorities are included in the DOD Results-Based Model as articulated in the DOD Adjusted Strategic Plan (2020 - 2025).

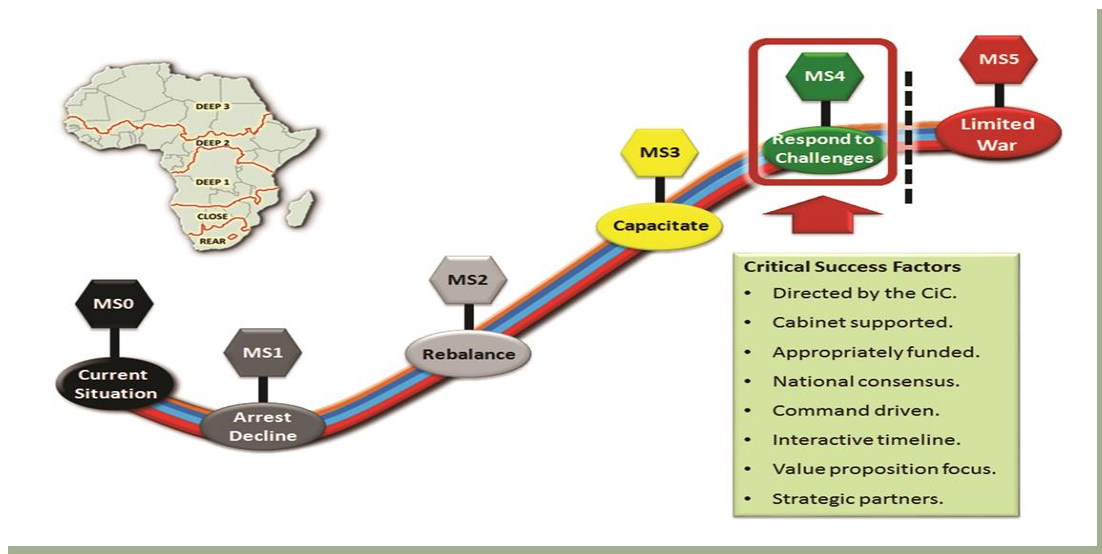
The SA Defence Review 2015 directs the Department’s Outcomes (Goals) and Outputs (Tasks) as indicated in Figure 4.

**Figure 4: DOD Goals and Tasks**



The SA Defence Review 2015 maps out five planning milestones (Figure 5) as firm foundations that frame the development of defence capabilities through an extended Long-Term Defence Development Plan.

**Figure 5: Planning DOD Development Trajectory**



The first four planning milestones were intended to provide the initial impetus to ensuring an adequate, appropriate and relevant defence capability for South Africa. Milestone 5, however, remained the constitutional contingency, which can be achieved from the firm foundation provided by Milestone 4. The milestones with their estimated MTSF period of achievement, are presented as follows:

Milestone 0 Status quo as at 2015.

- Milestone 1 (MS1) - 2020. Arrest the decline in critical capabilities through immediate and directed interventions.

- Milestone 2 (MS2) - 2025. Re-balance and re-organise the Defence Force as the foundation for future growth.
- Milestone 3 (MS3) – 2030. Create a sustainable Defence Force able to meet ordered defence commitments.
- Milestone 4 (MS4) - 2035. Enhance the capacity of the Defence Force to respond to emerging threats and a wide range of strategic challenges.
- Milestone 5 (MS5). Defend the Republic against any directed threat.

During 2017, the DOD completed the “DOD Plan to Arrest the Decline”, being the DOD implementation instrument of the Defence Review 2015, which was approved by the Council on Defence on 7 March 2017. This plan was presented and endorsed by the Joint Standing Committee on Defence on 12 May 2017, with reservations on the funding thereof.

Due to the RSA fiscal challenges and the concurrent declining year-on-year defence baseline allocation over the previous MTSF period, the expected resource allocation to support the implementation of the SA Defence Review 2015 was not realised. However, not only was the fiscal allocation not realised, the year-on-year reductions exacerbated defence decline. Not only were the cost-driven interventions not realised, but the non-cost interventions were compromised.

Furthermore, the implementation of the SA Defence Review 2015 will not be achieved during the 2022 Medium-Term Expenditure Framework (MTEF) and the cascading period of the Annual Performance Plan (APP).

Nonetheless, over the 2022 MTEF the future relevance of the Defence Force must be pursued. This must include the ability to sustainably execute selected priority missions, performed against its mandated core functions, as well as provide value to South Africa as a developmental State.

In line with the recommendations of the SA Defence Review 2015 and in order to mitigate the significant resource constraints imposed upon the DOD, the Minister of Defence and Military Veterans, in the 2021/22 financial year Defence Budget Speech, has directed the pursuance of certain apex initiatives during the MTEF.

The DOD, together with Armscor, completed “The DOD Plan to Arrest the Decline”, which was approved by the Council on Defence for implementation. This plan is fully costed and contains five work packages as indicated in Figure 6.

**Figure 6: South African Defence Review 2015 Implementation Work Packages**



Armscor supports the SA Defence Review 2015 recommendation that supports the adaptation of the Defence Industry to the indicated circumstances. Expertise is provided for the Defence Sector Plan within the PPGI, the NDIC, as well as continued implementation of the National Defence Industry Strategy, its Implementation Framework and the Defence Sector Code.

In addition, an expedited acquisition process has been developed and is ready for application whenever the SANDF may have urgent acquisition requirements.

Since the reduction in the defence allocation Armscor has been engaged with analytical support to the DOD to optimise the value of the allocation.

## **PART B: ARMSCOR'S STRATEGIC FOCUS**

### **10. SITUATIONAL ANALYSIS 2022**

The DOD's situational analysis provides insight to the evolving external and internal environments that impact on the outputs of the Corporation. The matters identified in the situational analysis are a product of the departmental planning process that has taken into consideration the MTSF 2019 - 2024 and other relevant policy documents that are key for the departmental planning purposes.

#### **10.1 EXTERNAL ENVIRONMENT**

The external environment analysis is focused on the following dimensions: political, economic, social, technology, legal, physical, and military.

##### **POLITICAL**

South Africa's national security is centred on the advancement of its sovereignty, democracy, national values and freedoms, and its political and economic independence. There are domestic, regional and continental dimensions to the national security architecture.

Domestically, South Africa's national security focuses on human security, sovereignty and the related priorities of territorial integrity, constitutional order, the well-being, prosperity and upliftment of its people, economic growth and good governance. Regionally, South Africa's national security hinges on the stability, unity and prosperity of the Southern African region in particular, and the African continent in general. The growth and success of the South African economy is dependent on peace, stability, economy development and deepened democracy on the continent.

Defence takes into consideration the tasks and commitments arising from the National Security architecture and the requirement to support Government interventions domestically, regionally and on the African continent, through the ability of the DOD to respond appropriately to emerging situations when called upon to do so and to conduct resourced internal and external ordered commitments.

The threat of international terrorism has increased over the last few years with radical groups continuing to destabilise countries and regions of the world. According to the World Economic Forum (WEF) Global Risks Report 2021<sup>1</sup>, terrorist attacks is the seventh highest risk in terms of impact that is most likely in the next two years, resulting in loss of life, severe injury and/or material damage. The security circumstances in the Southern African Development Region (SADC), with reference to the Mozambique security state, does not only result in economic and instability but contributes to the call on regional security forces to cooperate in the fight against international terrorism.

##### **ECONOMIC**

There is a risk of a global economic downturn. Economic growth rates on the African continent are expected to be above the global average. Conversely, the growth in the South African economy has remained flat to negative since the 2008/09 world economic recession. This has resulted in significant fiscal pressures for South Africa.

The under performance of the different economic sectors has resulted in the delayed implementation of the developmental initiatives in support of the NDP, Vision 2030. Coupled to this economic under-performance is the

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<sup>1</sup> WEF Global Risks Report 2021.

increasing socio-economic demands and competing priorities for service delivery that further aggravate an already constrained fiscal outlook.

The International Monetary Fund<sup>2</sup> (IMF) has indicated that global growth is projected to be 6% in 2021 and 4,4% in 2022, after an estimated historic contraction of -3,3% in 2020 due to the coronavirus (COVID-19) pandemic. The annual Gross Domestic Product (GDP) for SA is projected to be 3,1% in 2021, an improvement of 0,3 percentage points from the 2,8% January forecast. The group forecasts annual growth of 2% in 2022 for the country. The COVID-19 pandemic and the subsequent 2020/21 lockdown restrictions, have caused significant disruptions to the South African economy.

The defence funding forecast is declining in real terms over the 2022 MTEF period and immediate short-term. The economic forecast and the current trends in the defence funding allocation, will continue to constrain the implementation of the National Policy on Defence (SA Defence Review 2015), with an adverse impact on the provision of departmental strategic direction, governance and the availability to modernise the required defence capabilities in collaboration with the ailing Defence Industry. The continued disconnect between the government level of ambition required from the DOD and the declining defence budget allocation, continue to adversely impact on the Department's as well as Armscor's ability to execute its mandate in support of the people of the RSA.

The historic and persistent defunding of the defence mandate persists within the context of growing instability in Africa, an ever increasing threat of unconventional warfare, cyber warfare, increasing cyber-attacks, acts of terrorism, cross-border crime, increasing climate change, required humanitarian and disaster relief assistance, increasing requirements for search and rescue operations and support to other departments. During the 2019/20 financial year, the most significant global risk was the outbreak of the COVID-19 pandemic as declared by the World Health Organisation. During 2020, the outbreak of the COVID-19 pandemic in South Africa, demonstrated the importance of defence during times of peace, in the fight to combat the disease, enabling the enforcement of the national state of disaster, in support of the country and its people. The ongoing integral contribution by defence remains visible through the National Department of Health, providing expertise inherent in the South African Military Health Services (SAMHS). The DOD may be required to continue deployments as and when required by Government, in combatting the COVID-19 pandemic during the short- to medium-term.

It is evident that the RSA does not only need any form of conflict or humanitarian operations to attract the required levels of funding and capacitation of defence, but even during peace time. It is incumbent on the country to invest and capacitate its Defence Force, thereby ensuring its readiness during times of peace and war, to execute its mandate and render support when so directed by Government.

## **SOCIAL**

World population continues to grow and is projected to reach 8,3 billion people by 2030. The four demographic trends that will fundamentally shape economic and political conditions, as well as international relationships are: increased life expectancy; general population growth with a disproportionate youth bulge; migration and urbanisation.

The Fourth Industrial Revolution (4IR) will have a profound impact on the social construct. This will revolutionise education so as to provide the skills for sustainable employment. Automation, robotics and artificial intelligence will lessen the demand for unskilled labour consequently placing additional pressure on social services.

Cyber connectivity and the concept of a global village will exacerbate the migration of skilled people critical to the economy. In addition, trans-national crime syndicates continue to exploit migration tendencies to expand illicit activities undermining sovereignty and economic growth resulting in instability. The outbreak of the COVID-19 pandemic has further exacerbated the socio-economic situation with unforeseen mass job losses in all sectors of

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<sup>2</sup> International Monetary Fund (IMF) World Economic Outlook, April 2021.

the economy. South Africa will remain an attractive destination for migration, straining social services and placing additional pressure on the challenged fiscus, increasing the competition for constrained resources.

The Government's challenge to meet the demand for social services coupled to the lack of employment opportunities, increase in poverty<sup>3</sup> and in-equality<sup>4</sup> result in increased violent protests, particularly amongst the vulnerable and unemployed youth posing a threat to domestic stability. These violent protests continue to be characterised by lawlessness resulting in criminal acts that continue to undermine the fabric of society with women and children bearing the brunt. Gangsterism and syndicated crime have the potential to undermine the authority of the State.

Protest tipping points could require the employment of the SANDF, in cooperation with the South African Police Service (SAPS), to ensure national security and stability. The responsibility of the SANDF for border safeguarding will increase as cross-border migration intensifies.

In a national effort towards reducing and controlling the spread of the coronavirus, Protechnik designed, tested and evaluated a hand sanitiser and surface disinfectant with strict adherence to guidelines from the World Health Organisation. These products are now available in various configurations and are being distributed to the DOD Arms of Service such as the SAMHS. They are also distributed to other state organs such as the SAPS, the Department of Health and the Gauteng Roads and Transport Department, amongst others. There is a potential for growth in this area particularly with the manufacturing and the supply of the surface disinfectants and less on the sanitiser offering. The market has been flooded with very cheap and usually poor quality sanitisers and the competition is very fierce. The manufacturing of surface disinfectants could have wider applications and the demand may be in large quantities with potential clients spanning industry like the food manufacturing sector and not be limited to government departments as is currently the case. Protechnik could leverage the knowledge and expertise gained in the development of the chemical decontaminants to develop speciality surface disinfectants and liquid hand soaps for specialised clients.

In addition, Hazmat has been conducting tests to evaluate the effectiveness of particle filtering masks and surgical masks, which are used to protect against COVID-19. This was after discussions with South African Bureau of Standards and National Regulator for Compulsory Specifications to allow timeous approval of these masks before they are used by the public.

## TECHNOLOGY

- **Information Warfare:**

The rising international trend of targeting political institutions and processes should be a serious concern for South Africa. Cyber adversaries and information security professionals are perpetually engaged in a fierce cyber arms race focused around the access to and the prevention of access to sensitive data. It is crucial that the State places cyber security as a national priority.

- **Defence Industry:**

South Africa's Defence Industry is recognised as being among the most technologically advanced in the world. There are in excess of 180 businesses registered with the National Conventional Armaments Control Committee (NACC) with a primary focus on the manufacturing of weapons of war. The Defence Industry is recognised by

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<sup>3</sup> It is estimated that extreme poverty will increase in South Africa by 9% in 2020. (World Bank, Poverty and Equity Brief, April 2020).

<sup>4</sup> South Africa is one of the most unequal countries in the world with Gini index at 63 in 2014/15. (World Bank, Poverty and Equity Brief, April 2020).

Government as a fully-fledged economic sector and should it be adequately funded, has the potential to significantly contribute to the economy of South Africa through job creation, skills development and export earnings. Interventions have been initiated focussing on ensuring the sustainability of sovereign strategic industries, which are at risk and which may disrupt the interdependency within industry. To this end, the NDIC was established to address industry challenges and its objectives are to ensure the industry's products and services are aligned with SANDF requirements; assist the industry to grow and ensure transformation in the industry to reflect South African demographics. The Defence Sector Charter Council (DSCC), which was launched in 2021 as directed by the Defence Sector Charter, is one outcome of the NDIC, and is a representative body comprising stakeholders in the SADI. The aim of the council is to expedite transformation and revitalisation of the SADI ensuring consistent implementation of the Defence Sector Code with a focus on specific targeted areas that are a challenge in transformation as well as to address challenges facing the SADI, including limited economic growth and markets as well as the reduced defence budget. The Defence Sector Charter makes provision for companies to procure at least 60% of products locally. Furthermore, the DIF was established to support SMMEs in the defence industry with contract finance.

There are in excess of 180 businesses registered at the National Conventional Arms Control Committee (NCACC). Such businesses are typically defence industry proper, as their primary focus is on weapons of war. Interventions around sovereign/strategic industries must be deliberately planned and executed.

## **LEGAL**

The DOD, especially the SANDF commanders could face various new international legal challenges during external operations. The SANDF must ensure that it operates within International Law. It is anticipated that the SANDF will continue to participate in peacekeeping operations and possible offensive operations, responding to global security threats. The SANDF will ensure that personnel involved in such operations are conversant with International Law regulating the use of force when conducting both offensive and defensive actions in the theatre of operations. In this regard, the DOD (Legal Services Division) will provide pre-deployment training to all deployed SANDF members.

## **PHYSICAL**

**Climate Change:** Extreme weather conditions may occur more often as climate change takes place. These effects would not be evenly distributed throughout the world. More volatile food and energy prices will also increase the stresses on fragile countries. These pressures are likely to be particularly intense in the arc running from West Africa, across the Sahel, through the Horn of Africa and the Middle East and up into West-, South-and-Central Asia.

It is inevitable that the SANDF will, in the foreseeable future be called, through humanitarian and disaster operations, to assist local government authorities, other state departments both internally and in the SADC region.

## **MILITARY**

The nature of conflict is evolving and the distinction that separates military responses from other containment measures is becoming increasingly blurred. The operational environment of the future will be increasingly complex. South Africa's borders are the physical manifestation of its national sovereignty. These comprise the land, air and maritime domains that are internationally recognised in law and remain under the physical control and political authority of the South African State. Porous borders, inadequate migration control and immigration processes, the smuggling of small arms and light weapons, criminal syndicates trafficking in stolen goods and property, the illegal sale of South Africa's natural resources and infiltration by terror groups are risks. Securing South Africa's borders remains a matter of national security and has to be resourced adequately. The utilisation of sensors is crucial. Armscor supports this outcome with regard to providing technology and equipment to the DOD in support of the overarching strategy to defend, protect, secure, and ensure well-managed borders by securing the land, airspace, and maritime borders.

The South African coastline covers a distance of approximately 3 924 kilometres, with the maritime domain remaining crucial to the South African economy with more than 90% of its trade dependent on the security of the seas. Securing the RSA sea trade routes, its territorial waters and the Exclusive Economic Zone is vital to the nation and the State. Maritime threats such as maritime crime and piracy, terrorism, illegal fishing, smuggling of contraband and uncontrolled migration via the sea are ever-present. Pending on the evolving intelligence assessment, as well as available funding, the South African Navy may be required to conduct long-distance

maritime patrols off the East Coast, as well as the West Coast of the African Continent, pending security circumstances along the West Coast of Africa.

## 10.2 INTERNAL ENVIRONMENT

Arm Scor strives to become a knowledgeable partner that proactively supports the DOD with the development or acquisition of equipment to meet variations in the complexity of the DOD's operating environment. While there is general acceptance that some level of interoperability is required for greater success with African Union peacekeeping deployments, this has not been translated into common platforms, regionally and continentally. This presents an opportunity for Arm Scor to assist with its acquisition and technology expertise.

Some of the elements listed below provide a situational analysis of the factors and changing environment that have a bearing on the output deliverables of Arm Scor.

- **Economic Recession**

The worldwide recession is expected to lower economic growth for South Africa. Foreign investment into the economy is expected to slow down due to political instability and the possible further negative rating by Rating Agencies. Job reductions within the traditional work force, mining, and agriculture sectors will relate to industrial strikes, which will further adversely affect the economy. These economic factors will slow job creation in the country and create the possibility for conflict from the unemployed youth demographic.

- **Defence Budget Allocation**

Arm Scor's principal client's – the DOD – budget allocation for the 2022/23 financial year will remain insufficient to fully fund force preparation and renewal in support of the required operations ordered by Government. There are no additional resources available for allocation over the MTEF period. This means that additional allocations to a programme will need to be funded by reductions in funding for another programme, within the Department's budget. This will involve the scaling down of non-priority programmes and projects, changing service delivery models, using technology more effectively, etc.

DOD's Human Resources expenditure is foreseen to continue rising, slightly above the inflation rate, effectively reducing the operating and capital budgets. This introduces an era where the ability of the SANDF to conduct operations is substantially curtailed, possibly negatively influencing the demand for Arm Scor capacity related to the contracting of maintenance, repair and overhaul (MRO) services. The impact of this, on the Strategic Capital Acquisition Master Plan (SCAMP) is severe. The number of active acquisition projects will be reduced substantially with the bulk of the previous projects being delayed extensively or being cancelled. This reduces the demand for Arm Scor acquisition services over the medium-term and possible scaling down of highly skilled and highly specialised workforce.

The Corporation has regarded the decline in the budget as a challenge and has developed appropriate strategies to emerge from this situation as a strong service provider, not only to the DOD but also to other government departments. To this extent, cost containment initiatives, such as voluntary severance packages, resulted in a positive net result being achieved. However, the Corporation remains under considerable financial pressure to obtain sufficient sustainable funding to address equipment renewal, rejuvenation and transformational objectives.

Significant budget cuts in the Special Defence Account (SDA), which funds all capital projects, resulted in the surrendering of all funding except for projects that had already been contracted.

This reduction in capital funding resulted in various projects that were in the early phases of the acquisition process to be terminated and for others, executed only up to the next logical phase after which all work will be suspended. The reduction in the capital budget will have a significant impact, not only on the local defence



industry and on the maintenance of strategic and sovereign capabilities within the industry, but also on the operational readiness of the SANDF going forward.

Armcor's financial well-being was negatively impacted by the prevailing fiscal constraints and the Corporation logically looked elsewhere for revenue generating projects. In this regard, the process of positioning Armcor as the primary procurement agency for the South African Government's security cluster; sweating its own assets; sourcing contracts from foreign governments through government to government contracting and through IP exploitation was initiated. These initiatives are taking longer than expected to produce the results anticipated by Armcor. Armcor will however continue to strengthen its efforts and focus on these vital initiatives.

- **Corporate Governance and Accountability**

Armcor adheres to the principles of good corporate governance enshrined in the Public Finance Management Act (Act No. 1 of 1999) (PFMA), as amended, Companies Act (Act No. 71 of 2008), as amended, and King IV Report on Corporate Governance for South Africa. The observance of these principles ensures that Armcor maintains the integrity of its operations, thus gaining credibility from and the confidence of its important stakeholders.

Good corporate governance and stakeholder confidence are fundamental elements in determining the nature of the relationship between Armcor, its shareholder (represented by the Minister of Defence and Military Veterans), the SADI, and the South African public as a whole. Furthermore, Armcor strives to maintain a satisfactory audit.

- **National Cost Containment Measures**

Armcor is operating within strict cost containment measures to manage operational expenditure. Furthermore, Armcor complies with the National Cost Containment Measures issued by National Treasury.

- **Service Delivery Improvement Plan**

The SA Defence Review 2015, and the urgency in meeting the matériel needs of the SANDF while engaged in external deployment, called for a review and change of the Armcor acquisition process, as well as the skills sets to be entrenched in Armcor. The following processes were reviewed and improved:

- Acquisition process: a cost-effective, adaptable, and agile acquisition capability, which provides an expedited service delivery to the DOD requirements (i.e. process improvement, shortened tendering process for urgent requirements, including lifecycle approach, providing capability rather than product). The acquisition processes was amended to achieve maximum flexibility and shortening the time taken for acquisition of equipment and services – especially the acquisition of existing military off-the-shelf items.
- Contracting processes: contractual arrangements have been established, e.g. umbrella contracts with single-source suppliers to reduce lead times for operational requirements. Contracting at appropriate levels will ensure maximum participation of the local industry, and facilitate and effect greater involvement of SMMEs and Broad-Based Black Economic Empowerment (B-BBEE) companies.

## **11. ARMSCOR'S ENVIRONMENTAL SCAN**

11.1 The 2022 environmental scan focused on the political, economic, social, technology, legal, environmental and military dimensions.

11.2 The following important developments and possibilities have emerged from the scan:

- Globally the relationship between China and the USA has returned to more rational behaviour. For a number of long and short term reasons the Chinese economy is undergoing major changes resulting in short-term economic stress. It is unclear how this may influence China's short-term operations in Africa.
- The number of external factors increasing their involvement in Africa is steadily increasing as the future value of the continent's consumer market is increasingly acknowledged. The result is an increasingly competitive environment for South Africa.

- Within Sub-Saharan Africa, progress with governance is complex to interpret and erratic. The trend in terms of coups is upwards, but ostensibly with the pro-governance aim to remove presidents that behave unconstitutionally. The same applies in SADC where major changes in government have occurred through elections or through intervention by judicial process. On the other hand are other countries marred by popular violence against long serving rulers or populations are suffering under a relatively new regime through the absence of basic services required for the COVID-19 pandemic.
- Despite many areas of conflict in Africa, the demand for armaments stays generally low. However, where there is a requirement, the type of weapons acquired in the main, are those suited to low intensity and guerrilla type conflicts.
- A welcome evolution in peace missions is an increased acknowledgement of the peace dividend by the private sector/external investors. An initially innovative concept in West Africa (the G5-in-the-Sahel) is passing the test of time. Multinational operations to promote peace/ensure rules based behaviour is funded by international donors with interests in the area of operations.
- Where conventional and high technology weapons are being acquired on the continent, these nations generally prefer to buy from or barter with long standing strategic partners being typically Russia and China. It is worth noting that in some cases, weapons are provided at no cost by countries from across the globe as part of influence operations undertaken in their own interests.
- Some of the nascent weapon industries on the continent are rising steadily and are increasingly manufacturing products that are competing directly with those of South African manufacturers. Unlike SADC, these products are then provided either free or at excellent prices to the regional multinational task force for regional operations, improving their marketability.
- After many decades SADC has joined the other regions of the continent. SADC can no longer be considered as relatively "peaceful". Like most of Africa, it is now also involved in a military intervention against a fundamentalist group in terms of SAMIM's operations in Cabo Delgado, Northern Mozambique. Force providing nations risk that their home fronts may be targeted by terrorism.
- By 2022 South Africa may be entering into a new and complex political environment, where majority government at municipal level may be the exception rather than the rule. Unemployment is still steadily rising to record heights and only partially driven by the impact of the pandemic. The factors underlying unemployment are set to worsen before improving. Municipalities may be increasingly constrained in terms of service delivery. Accelerating economic growth remains the highest national priority as the mechanism to reduce unemployment.
- In this context and assuming slow post-pandemic economic recovery, the defence allocation is foreseen to stay constrained for the foreseeable future. It cannot be higher priority than socio-economic expenditure.
- The DOD has pragmatically been forced to prioritise its missions, focusing on border safeguarding (land/sea/air), peace missions and interventions. The demand for humanitarian operations in the region may well increase due to an increase in severe weather patterns as part of climate change. The probability is increasing that the roles of the DOD may widen even further and that it may have urgent requirements for relatively small volumes of matériel for specific and high profile operations.
- It is probable that Armscor will have to be innovative to make maximum expertise available to meet the military's requirements rapidly while delivering a high quality solution in an auditable manner.
- At the current funding levels and faced with block obsolescence and rising costs of maintaining its conventional prime mission equipment, the DOD will have to evolve into a much lighter force, according to chapter 9 of the SA Defence Review 2015.
- Within the context of the prioritised missions that will have to be executed in the MTEF, the focus of prime mission equipment availability for operations will be centred around limited current inventory availability. From a combat ready perspective, the MRO of existing operational equipment across the services will become increasingly important over the MTSF.
- The capital portion of the defence budget is set to decrease to very small amounts over the MTEF. By extension, the funding allocation to Armscor for both armament acquisition and the transfer payment for its acquisition agency function will likely decrease significantly over this period. The DOD will probably have to investigate its continued requirement for some of its historic activities and service level agreements with a number of stakeholders. This may include its relationship with Armscor.

- The RSA defence industry is contracting due to persistent reduction in capital expenditure by the DOD, with insignificant expenditure foreseen for the MTEF. A few large international entities dominate the local environment through equity arrangements with erstwhile RSA defence industry and defence related industry businesses. This model seems to be successful and another international entity with a local footprint is making steady progress.
- Considering the evolving SANDF, an opportunity exists for defence industry to develop bespoke technologies focused on sensors for increased domain awareness and technologies that would enhance operational response and effectiveness of a lighter more agile military force.

### 11.3 Armscor’s SWOT analysis

In order for the Corporation to cope with the strategic environment and to succeed in its operation, it is important for the strategy to directly or indirectly address issues that arose in its SWOT analysis. The SWOT analysis was revised and the following was deemed important to take cognisance of:

**Table 1: Armscor’s SWOT Analysis**

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Clear Mandate as defined in terms of Armscor Act.</li> <li>• World-class technical expertise in niche defence technology.</li> <li>• International recognition for technical capability.</li> <li>• Established governance process.</li> <li>• World-class research, test and evaluation facilities.</li> <li>• Governance record supported by established quality management systems.</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Lack of business acumen.</li> <li>• Slow conversion rate of business opportunities.</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Providing holistic support to the SADI and security sectors.</li> <li>• Expand existing capability to meet emerging demand in targeted geographies.</li> <li>• Collaborative/Strategic Partnerships.</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Denel’s sustainability and current performance on defence contracts.</li> <li>• Industry performance and sustainability.</li> <li>• Inadequate information and communication technologies in South Africa.</li> <li>• Reliance on insufficient DOD transfer payment.</li> <li>• Reduction in the DOD budget.</li> <li>• Insufficient funding to sustain facilities.</li> <li>• Pandemics.</li> </ul>

## 12. Armscor’s contribution to National Imperatives of Government

### 12.1 National Development Plan, Vision 2030

The NDP, Vision 2030 and its related policies provide a national framework that will inform the envisaged contribution by National Departments to the objectives of the NDP, Vision 2030, which include the reduction in unemployment, elimination of poverty and the reduction in inequality. Figure 7 indicates the aspects that form the cornerstone of the NDP, Vision 2030 to which the defence portfolio, where relevant, will contribute.

Armscor is, as all departments must be, directing its planning towards the NDP, Vision 2030. The Corporation supports government’s goals, as expressed in the NDP, Vision 2030, and will contribute to the following initiatives:

- sharpening South Africa’s innovative edge by continuing its contribution to global scientific and technological advancement;
- implementing greater investment in research and development and better use of existing resources;
- facilitating innovation and enhanced co-operation between public service and technology institutions;
- committing to procurement approaches that stimulate domestic industry and job creation; and
- procuring from and supporting SMMEs, black-owned and black-managed enterprises, and female-led enterprises, the youth, and military veterans.

The Strategy is, therefore, informed by:

- a sense of urgency in delivering effective and efficient services to Armscor’s clients;
- positive relations between Armscor and its stakeholders;
- providing a strategic pull towards which Armscor’s employees can aspire;
- a well-founded partnership between Armscor and the industry;
- the need to meet the policy and other directives of the shareholder; and
- the drive to extract commercial value from Armscor’s role as a technology and acquisition expert in Africa and beyond.

**Figure 7: Aspects that form the cornerstone of the National Development Plan, Vision 2030**



### 12.2 The NDP Implementation five-year Plan and MTSF Priorities (2019 - 2024)

The implementation of the NDP, Vision 2030, through the NDP five-year Implementation Plan will mainly focus on job creation, poverty reduction and the reduction of inequality.

- **MTSF Pillar 1: "Achieving a more capable state".**
  - MTSF Priority 1: "A Capable, Ethical and Developmental State".
  - MTSF Priority 7: "A Better Africa and a Better World" (DOD Direct Contribution).
- **MTSF Pillar 2: "Driving a strong and inclusive economy".**
  - MTSF Priority 2: "Economic Transformation and Job Creation".
- **MTSF Pillar 3: "Building and strengthening the capabilities of South Africans".**

- MTSF Priority 3: "Education, Skills and Health".
- MTSF Priority 4: "Consolidating of Social wage through reliable and Basic Services".
- MTSF Priority 5: "Spatial Development, Human Settlements and Local Government".
- MTSF Priority 6: "Social Cohesion and Safer Communities" (DOD Direct Contribution).

The Governmental MTSF Priorities, to which the DOD will contribute, is supported by Armscor. The Priorities are:

- Priority 6: "Social Cohesion and Safer Communities"
  - South Africa's borders are effectively defended, protected, secured, and well-managed: Armscor supports this outcome with regard to providing technology and equipment to the DOD in support of the overarching strategy to defend, protect, secure, and ensure well-managed borders by securing the land, airspace, and maritime borders.
  - Secure cyber space: Armscor provides support for capacitating a Cyber Security Institution in the establishment of the Cyber Command Centre Headquarters.
  - Corruption in the public and private sectors is reduced: Armscor will prevent corruption where prevalent and in the execution of Armscor's mandate.
- Priority 7: "A Better Africa and a Better World"
  - Political cohesion in Southern Africa, to ensure a peaceful, secure, and stable Southern African region: Armscor supports the DOD by supplying the necessary security equipment.

Armscor will endeavour to support the following Government Priorities over the 2019 - 2024 MTSF:

- MTSF Priority 1: Capable, Ethical and Developmental State, by ensuring improved governance and accountability through compliance to regulatory frameworks, such as the PFMA (Act No. 1 of 1999) and King IV Report, continuing to fight corruption and fraud through internal control measures, to support other Government Departments and its people in the pursuit of South Africa's Developmental Agenda. Armscor continues to strengthen its departmental role and function in the governance, risk and compliance functions through ethics and integrity. Furthermore, Armscor has committed to a zero tolerance of sexual abuse against women, youth and people with disability.
- MTSF Priority 2: Economic Transformation and Job Creation, through sustainable acquisition of weapon systems and local procurement of goods and services. Armscor continues making meaningful impact in communities, through Corporate Social Investment. Much has been done on education to assist learners from previously disadvantaged communities to improve their performance and results in science, technology, engineering and mathematics.
- MTSF Priority 3: Education, Skills and Health, through the provision of internal and external higher education, skills development opportunities and creating foreign learning opportunities. Armscor's Learning and Development function's focus is to consistently develop and sustain the relevant and required critical skills of employees, to ensure the achievement of the Corporation's strategic business outputs, and to promote the culture of learning. Various development initiatives that seek to develop management and leadership competencies and to address critical and technical scarce skills shortages for employees at various respective occupational levels were identified. The initiatives include the implementation of bursary schemes and the Grant Development Programme for graduates and internships.
- MTSF Priority 4: Consolidating the Social Wage through Reliable and Basic Services, Armscor aims to "Promote peaceful and inclusive societies for sustainable development" and "provide access to justice for all, and build effective, accountable and inclusive institutions at all levels" into the future trajectory of defence. Armscor will also participate in the work established by Stats SA by providing statistics of the Sustainable Development Goals (SDGs) as and when required.
- MTSF Priority 5: Spatial Development, Human Settlements and Local Government, through Project Koba Tlala to support women and youth development and economic development in identified rural areas.

Armcor will support the DOD with local procurement in the areas where the SANDF has a footprint, which will contribute to economic growth of small business, township and rural economies.

- MTSF Priority 6: Social Cohesion and Safer Communities, through its contribution towards border safeguarding, cooperation with the SAPS and support to other Government Departments. Armcor will provide the necessary technology and equipment to the DOD in support of the overarching strategy to defend, protect, secure, and ensure well-managed borders by securing the land, airspace and maritime borders.
- MTSF Priority 7: A Better Africa and a Better World, through supporting the DOD (SANDF) participation in external operations in support of the UN and the AU peace missions, as well as the DOD contribution towards the Southern Africa Development Regional Indicative Strategic Development Plan (RISDP) through the SADC Standby Force Pledge. Armcor will provide procurement and logistic services to other countries when required.

### **12.3 The New Growth Path**

Government released the Framework of the New Growth Path (NGP), aimed at enhancing economic growth, job creation, and equity. The principal target of the policy is to create five million jobs by the year 2025. The NGP identifies strategies that will enable South Africa to grow in a more equitable and inclusive manner, while attaining South Africa's Developmental Agenda. Armcor will endeavour to support the NGP through the following actions:

- Armcor Internships;
- Youth Development Programme; and
- SADI Support.

Armcor and the defence industry have provided science and engineering bursaries. Initiatives in science, technology, engineering and mathematics were undertaken nationwide in schools.

Armcor's Learning and Development function's focus is to consistently develop and sustain the relevant and required critical skill of employees, to ensure the achievement of the Corporation's strategic business outputs, and to promote the culture of learning. Various development initiatives that seek to develop management and leadership competencies and to address critical and technical scarce skill shortages for employees at various respective occupational levels were identified. The initiatives include the implementation of bursary schemes and the Grant Development Programme for graduates and internships.

National Treasury issued amended Preferential Procurement Policy Regulations. The regulations support transformation, specifically the advancement of designated groups, was promulgated in January 2017, and were made effective in April 2017. Armcor is committed to implementing these regulations fully to the advantage of the country's economy and particularly for the growth of SADI. To achieve optimal benefit from the application, Armcor amended the procurement process to include Military Veterans, where applicable.

Armcor promotes Military Veterans interest through the SCM and Armcor will re-establish the unit to drive the process.

Armcor spearheaded the process of the development of the Defence Sector Charter, with NDIC partners, which was gazetted by the Minister of Trade and Industry. This provides a regulated way of transforming the defence industry and bringing in new entrants in support of the national imperatives. It shall implement it to transform SADI in terms of B-BBEE. The codes of the charter are deliverables for participants in SADI. Armcor supported the launch of the DIF to solve funding challenges faced by SMMEs in SADI.

NDIC was established as a significant policy making co-ordination tool for the defence industry. Armcor forms part of the NDIC. Armcor has provided support to the development of the National Defence Industry Strategy and will continue to do so in the year ahead as the implementation framework unfolds.

## 12.4 The Industrial Policy Action Plan

The Industry Policy Action Plan (IPAP) is located in the NDP, Vision 2030, and forms one of the principal pillars of the NGP. Armscor will play a role and support the IPAP in Public Procurement, where a Defence Industry Policy will be developed to guide long-term acquisition and procurement of defence capabilities. The NDIC will constitute the highest consultative body between the DOD, Armscor, SADI, and the Department of Small Business Development on matters of policy formulation and compliance, export support, armament acquisition, and joint planning. Armscor will be directed by the functions of the NDIC relating to SADI matters. The NDIC will focus on the work streams, stated below, for development and co-operation with other State Departments, such as, but not limited to, the Department of Trade, Industry and Competition (dtic) and the Department of Public Enterprises:

- defining industry categorisation;
- developing alternative funding models;
- providing access to SANDF stock for export;
- implicating collaboration versus competitive acquisition;
- developing the ability to supply complete systems (turnkey solutions);
- exploiting the dtic incentives;
- establishing production and/or maintenance facilities in Africa;
- using the Department of International Relations and Co-operation and other departments for marketing of South African products (speaking with one voice);
- structuring the NDIC Secretariat and interaction with various stakeholders;
- applying and exempting small industry policy;
- socio-economic scoring of different project types;
- administering initiatives focused on Africa;
- creating technological prioritisation and implication within industry for the short-term;
- leveraging IP;
- expediting acquisition; and
- developing an industry sector strategy.

## 12.5 The Forum of South African Directors-General

The Action Plan (2009 – 2019) was adopted by Government and finds expression in the DOD adjusted Strategic Plan, APP 2022/23, and individual performance agreements. Armscor supports the following Forum of South African Directors-General (FOSAD) Action Plan deliverables:

- Service Delivery Improvement Plan:
  - Acquisition reform (acquisition processes and governance procedures were streamlined in order to provide the DOD with expedited service delivery).
  - The transformation of procurement to be broadened to SCM (to improve turnaround times in the provision of non-complex, off-the-shelf acquisition and procurement) as a strategic enabler of Armscor's strategy.
  - The establishment of a sustainability function to reduce pressure on the declining DOD budget.
- Reduction in time it takes to fill a vacancy:
  - Armscor endeavours to fill all vacancies within six months, subject to the availability of suitable candidates.
- Payment of suppliers within 30 days:
  - Armscor aspires to settle all payable invoices within 30 days upon receipt thereof.

- Finalisation of disciplinary cases and employee disputes:
  - Armscor strives to resolve all disciplinary cases internally. However, if Armscor is not successful with the procedure, it will be dealt with by the Commission for Conciliation, Mediation and Arbitration and/or the Labour Court.
- Improved feedback to the public on anti-corruption hotline:
  - In order to enhance good governance and transparency, Armscor provides a channel for any person (employees, contractors, clients, and external parties) to raise concerns and report fraud, corruption (monetary bribes, kickbacks, gifts, etc.), theft, financial malpractice, or any other unlawful or irregular conduct occurring in the Corporation. These concerns are investigated by a committee and the relevant parties informed. This is done to improve operational efficiency and effectiveness.
- Armscor strives to obtain a satisfactory audit:
  - Armscor has applied the principles of good corporate governance across every single face of its operations.
  - In support to the Minister of Defence and Military Veterans performance agreement with the President, Armscor will continue to strive to:
    - Reduce in the number of audit qualifications.
    - Reduce in wasteful and fruitless expenditure.
    - Reduce in irregular expenditure.
    - Ensure the submission of Armscor’s Senior Management Agreements and the submission of Senior Management, members involved in the financial and procurement processes (Financial Disclosures).
    - Ensure the development and submission for Executive Authority approval of Corporate Plan (Submission of Armscor Corporate Plan for 2022).
    - Development and submission for Executive Authority approval of Armscor’s Quarterly Performance Reports (Non-financial and financial).
    - Development and submission for Executive Authority approval of the Annual Report (2<sup>nd</sup> quarter).
    - Ensure that the Shareholder compact is updated and submitted to the Executive Authority, in the specific quarter.
    - Armscor Corporate Plan, submission of draft Armscor Corporate Plan to National Treasury and Department of Planning, Monitoring and Evaluation (DPME) in the 2<sup>nd</sup> quarter and the final Armscor Corporate Plan for approval by the Executive Authority and tabling in the 4<sup>th</sup> quarter.

## **12.6 Sustainable Development Goals**

- The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future, as reflected in Figure 8. The SDGs recognise that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. All countries and stakeholders acting in collaborative partnership will implement the SDGs plan.



**Figure 8: Sustainable Development Goals**



- The 17 SDGs and associated 169 targets, which form the SDGs, demonstrate the scale and ambition of this new universal agenda. These SDGs seek to build on the Millennium Development Goals (MDGs) and complete what they did not achieve. These SDGs and targets will stimulate action in areas of critical importance for humanity and the planet. The SDGs consist of the following goals:
  - Goal 1: End poverty in all its forms, everywhere.
  - Goal 2: End hunger, achieve food security, and improved nutrition, while promoting sustainable agriculture.
  - Goal 3: Ensure healthy lives and promote well-being for all at all ages.
  - Goal 4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.
  - Goal 5: Achieve gender equality and empower all women and girls.
  - Goal 6: Ensure availability and sustainable management of water and sanitation for all.
  - Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.
  - Goal 8: Promote inclusive and sustainable economic growth, full and productive employment, and decent work for all.
  - Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.
  - Goal 10: Reduce inequality within and among countries.
  - Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.
  - Goal 12: Ensure sustainable consumption and production patterns.
  - Goal 13: Take urgent action to combat climate change and its impacts.

- Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
  - Goal 15: Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss.
  - Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.
  - Goal 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.
- Armscor, by virtue of its legislative mandate and inherent defence capabilities, will indirectly support SDG 16. The Corporation aims to “Promote peaceful and inclusive societies for sustainable development” and “provide access to justice for all, and build effective, accountable and inclusive institutions at all levels” into the future trajectory of defence. Armscor will also participate in the work established by Stats SA by providing statistics of the SDGs as and when required, and through its mandate and inherent acquisition and procurement capabilities.
  - Armscor, because of its mandate, will indirectly support selected SDGs into the future trajectory of defence. Armscor supports Goal 4 by granting bursaries and donations to schools of previously disadvantaged communities, as well as Goal 5 by adhering to its Employment Equity Policy, whereby Armscor aims to grant 23 bursaries per year.
  - Corporate governance is enshrined in the King IV Report on Corporate Governance for South Africa. Armscor embraces the principles in this report and continues to strengthen its departmental role and function in the governance, risk and compliance functions through ethics and integrity.
  - The implementation of the Public Service Integrity Management Framework in all government departments also informs Armscor’s Code of Conduct. The approval and implementation of Armscor’s Code of Conduct during the 2016/17 financial year demonstrates its commitment to the highest ethics and integrity aspirations. Armscor also has the mechanisms, as stated below, to facilitate ethical execution of its mandate through:
    - Audit and Risk Committee;
    - Risk Management Register, which also lists actions to mitigate risks;
    - regularly conducted internal audits, of divisions and internal controls;
    - continuous management of issues relating to corruption and fraud, ranging from awareness training to the structured reporting of incidents through the “whistle-blowing” mechanism and other established departmental channels; and
    - continuously refined organisational financial processes, systems, and policies, with the view to ensure alignment with the Public Finance Management Regulatory Framework, in order to improve service delivery.

### **12.7 The State of the Nation Address (2022)**

During the State of the National Addresses (SONAs) of the previous 2014 - 2020 MTSF, and the SONA held by the 6<sup>th</sup> Administration on 10 February 2022 respectively – the President has laid out the government’s main objectives for 2022 in his SONA. These include, amongst others, defeating COVID-19 pandemic, economic reconstruction and recovery plan, fighting crime and corruption.

In relation to Defence, the President highlighted that the RSA will use its membership at international, and continental bodies to promote peace and security on the continent. Defence will contribute to the UN, AU and SADC operations and initiatives through conflict prevention, peacekeeping, peace, security and post-conflict reconstruction and development as ordered by Government.

Armscor supports the DOD to achieve pronouncements of the SONA.

### 13. MINISTER OF DEFENCE AND MILITARY VETERANS PRIORITIES FOR 2022/23 FINANCIAL YEAR

The Ministerial Priorities for the 2020 - 2025 planning period that give impetus to the execution of the Defence mandate through Ministerial direction over the short-, medium- and long-term within available resources are confirmed as follows:

#### **Priority 1: Provide Strategic Direction to the DOD:**

- **Strategic Direction.** Implementation of the SA Defence Review 2015 "*DOD Plan to Arrest the Decline*". Direct the defence policy intent to stabilise and create a sustainable Defence Force within an effective, efficient and economically managed department, able to deliver on the predetermined expectations of Government. The decline in critical defence capabilities must be halted through directed interventions in those capabilities that are at risk, be unsustainable or must be enhanced to meet current operational commitments. Ministerial direction will be provided to initiate the defence trajectory through organisational capability interventions.
- **Organisational Renewal.** Ensuring Appropriate Organisational Form and Structure. Direct the positioning of the Defence Secretariat and organisation of the SANDF through the optimisation of both the Defence Secretariat and the Command and Control system of the SANDF. Duplication of structures must be eliminated whilst effectiveness and efficiency is enhanced. Focus must be given to ensuring that the SANDF is seen as a professional and disciplined military force.

**Priority 2: Ensure Departmental Governance, Administration and Accountability within the Regulatory Framework.** Armscor operates within the parameters of good corporate governance in all its work. Furthermore, Armscor has lived up to its values and has continued to exemplify good corporate governance principles.

- **Departmental governance, administration and accountability.** Ensure the required levels of departmental governance, administration and accountability at all levels of the organisation, thereby ensuring the effective and efficient utilisation of scarce resources within prevailing legislative requirements and material regulatory frameworks.
- **Strategic Resourcing.** Revenue Generation to Supplement the Insufficient Fiscal Allocation. Direct a focused effort to identify alternative funding and revenue generation streams that include, amongst others, maximised reimbursements against agreed upon Memoranda of Understanding and the sweating of departmental assets.
  - Armscor established the Property Management and Leveraging Division with the intention of sweating its own property assets and provide property management and development services to other clients, particularly in the government sphere. The four properties include two in Erasmuskloof and one each in Pretoria West and the Northern Cape.
- **Human Resources.** Maintaining the SANDF establishment force levels. Direct the maintenance of the current operational capability within the current operational strength and resource considerations. It implies the continual rejuvenation of an equitable (this includes both race, gender and former force) departmental human resource component. The SANDF Reserves remain vital to augment current force levels required to conduct military operations both internally and externally to the country.
  - Armscor continues to implement cost containment measures. The implementation of Voluntary Severance Packages, whilst retaining scarce skills and technology capabilities form part of the cost containment measures.

**Priority 3: Execute Prioritised Ordered Defence Commitments in Accordance with South Africa's Defence and Security Requirements:**

- **Capability Sustainment. Maintenance of Capabilities.** The serviceability and availability of current main operating systems and Prime Mission Equipment must be maintained at a set level. Focus will be given to the maintenance, repair and overhaul (MRO) of land, air, maritime and military health equipment as well as cyber capabilities that are required for both force preparation and force employment. Through the NDIC, a closer working relationship between the DOD, the Defence Industry and the Defence-Related Industry must be achieved in the interest of all parties.
  - Through the NDIC, a closer working relationship between the DOD, the Defence Industry and the Defence Related Industry must be achieved in the interest of all parties. Armscor has provided support to the development of the National Defence Industry Strategy and will continue to do so in the year ahead as the implementation framework unfolds. The Defence Industry Strategy is in the phase of being converted into an implementation framework. Armscor is providing uninterrupted capacity to activities such as those that can improve the situation within the local defence industry. The focus of the framework was mostly on the longer term. However, the focus has been amended on request of Armscor to include more immediate matters. Members of industry were identified who may be in financial dire straits in the period while the implementation framework is under development. Potential solutions for them and financial concepts for industry as a whole are currently receiving attention in the development of the implementation framework.
- **Ordered Defence Commitments.** Increased Contribution to the National Developmental Agenda. There is an expectation of an increased utilisation of defence capabilities to contribute to the National Developmental Agenda of Government. The collateral-defence utility may be used in collaboration with other Government Departments to enhance the desired contribution. The SANDF will retain its ability to respond to disasters both internally and in the region against reimbursement arrangements. Contribution to national efforts in the prevention and combating of the spread of COVID-19 in the country as well as within the Defence Force. Support the Minister of Defence and Military Veterans in the national efforts for the prevention and combating the spread of COVID-19 through participation in the Justice Crime Prevention and Security (JCPS) Cluster.

## 14. ORGANISATIONAL ENVIRONMENT

### 14.1 The Board of Directors

Armscor is a statutory body. The Minister of Defence and Military Veterans is the Executive Authority responsible for Armscor to act as a Corporate Governance Board.

In terms of Regulation 29.2 of the PFMA, (Act No. 1 of 1999) (as amended), the Accounting Authority for the public entity listed in Schedule 2, 3B or 3D must, in consultation with its Executive Authority, annually conclude a Shareholder's Compact.

This Shareholder's Compact is based on accepted principles of corporate governance as provided for in the following instruments:

- Armscor Act, 2003 (Armscor Act No. 51 of 2003);
- PFMA, 1999 as amended (Act No. 1 of 1999);
- Companies Act (Act No. 71 of 2008);
- Protocol for Corporate Governance in the Public Sector; and
- King IV Report.

The Shareholder's Compact is entered into between the Board of Directors of Armscor duly represented by the Board Chairperson and the Shareholder (the Government of the RSA) duly represented by the Minister of Defence and Military Veterans. This Shareholder's Compact is revised annually.

The management and control of Armscor resides with the Board of Directors, led by a non-executive Chairperson and a Deputy Chairperson. To execute its responsibilities effectively and maintain accountability, the Board established a number of committees:

- the Acquisition Committee;
- the Audit and Risk Committee;
- the Technology, Industry Support and Sustainability Committee;
- the Human Resources, Social, and Ethics Committee; and
- the Military Veterans Committee.

The Chief Executive Officer (CEO) of Armscor and the Chief Financial Officer (CFO) are Executive Board members.

Figure 9 represents Armscor's current Board of Directors and an abridged curriculum vitae of each Board member is attached as Annexure B.

**Figure 9: Armscor's Board of Directors**



## 14.2 Executive Committee

In the execution of its functions, Armscor establishes and maintains capabilities and technologies that are required to fulfil its mandate, such as appropriate programme management systems, the Defence Industrial Participation (DIP) programme, the management of technology projects, strategic facilities, and defence support, which is responsible for defence matériel disposal, configuration management, and data management.

Accountability and separation of duties are clearly spelled out and complied with, with respect to the Board of Directors and the Executive Committee of Armscor. The segregation of lines of responsibility between the Board and the Executive Committee are in compliance with the King IV Report on Corporate Governance for South Africa.

The Executive Committee is headed by the CEO who manages the day-to-day activities of the Corporation. Furthermore, the Executive Committee includes all of the Group Executives and Executives who head a Business Unit:

Executing Functions:

- Acquisition and SCM;
- Research and Development;
- Armscor Dockyard.

Supporting Functions:

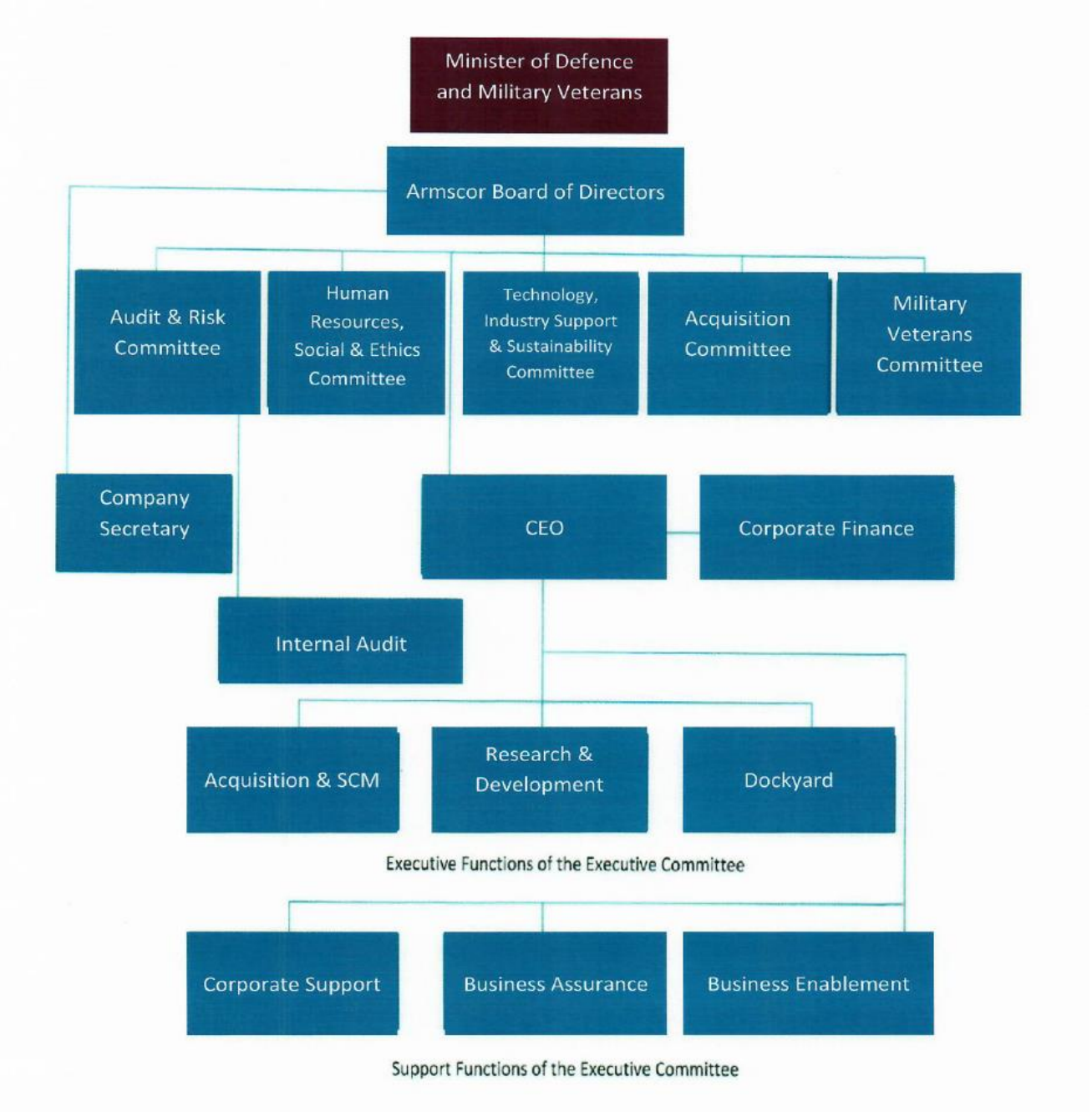
- Corporate Finance;
- Corporate Support;
- Business Assurance; and
- Business Enablement.

Business Units are divided into departments, divisions or facility-unit levels. It is, therefore, Armscor's policy to minimise levels of management in the Corporation and to provide for broad bands in its personnel categories. Figure 10 represents Armscor's organisational and reporting structure.

## 14.3 Armscor Schedule 2 public entity

Armscor is classified as a Schedule 2 public entity, in terms of PFMA, and reports to the Minister of Defence and Military Veterans.

**Figure 10: Armscor’s Organisational Structure**



14.4 Armscor’s resources

Armscor derives its income from the following sources:

- The main transfer payment from the DOD, which provides for capability maintenance and services rendered, as per the service level agreement, and secondary payments for services rendered to the DOD in terms of memorandum of agreement;
- Investment income;



- Income generated by the R&D Business Unit; and
- Income generated by Armscor Dockyard and Armscor Corporate.

The revenue generated is utilised executing the following services and tasks:

- **Primary services:**

- acquisition of Category 1 Defence matériel, facilities, and services, including the management of all technology development and retention projects for the DOD;
- procurement of Category 1 Defence matériel, facilities, and services, in accordance with the operational requirements of the DOD;
- acquisition and procurement of Category 2 matériel, as specifically tasked by the DOD (provided for in the Armscor Act);
- provision of Product System Management Support services, as tasked and reflected in the appropriate requirement plans of the services of SANDF;
- quality management related to the primary functions;
- management and monitoring of the DIP programmes in order to maintain a defence industrial base, focused on strategically essential technologies, capacities, and capabilities;
- administration and assurance of Arms Control Compliance requirements for Category 1 matériel acquisition, procurement, and Product System Management Support;
- disposal of excess, forfeited, redundant, or surplus Defence matériel, in consultation with the DOD and the relevant industries;
- support and maintenance of such strategically essential defence industrial capabilities, resources, and technologies, as may be directed by the DOD;
- maintenance of such special capabilities and facilities as Armscor may regard as not being commercially viable, but which may be required by the DOD for security or strategic reasons, currently as follows:
  - The Gerotek Test Facilities – vehicle and component testing;
  - Armour Development – R&D to maintain and advance armour protection technologies;
  - Fluid and Mechanical Engineering group (Flamengro) – maintaining a minimum sustainable level of capability in the numerical simulation of fluid dynamics and structures for artillery systems;
  - Alkantpan Test Range – ballistic testing.
  - Institute for Maritime Technology (IMT) – maritime research.
  - Protechnik Laboratories – chemical and biological defence research.
  - Ergonomics Technologies (ERGOTECH) – ergonomics research.
  - Hazmat – impregnation of activated carbon and manufacturing respiratory products.
  - Defence Decision Support Institute (DDSI) – delivers decision support, operational research, defence analysis, capability analysis, systems engineering analysis, and products system management support to the DOD.
  - Cyber Security.
- management of the Armscor Dockyard as a strategic facility of the South African Navy, to be available for service provision to the DOD;
- management of the capabilities mentioned in h) and i) above;
- development and implementation of export support services and mechanisms, which will promote

and benefit the South African Government and SADI, managed by means of a partnership between the DOD, Armscor, and the Aerospace, Maritime and Defence Industries Association (AMD), who meet on a regular basis in structured forums;

- n) provision of defence operational research; and
- o) provision of the Defence Matériel Tender Board functions and associated Procurement Secretariat.

- **Support services:**

In order to perform its primary functions in a professional, accountable, and transparent manner, in accordance with the requirements of PFMA and the Armscor Act, it is essential for Armscor to also perform the following supporting functions:

- i. financial management related to the primary and other functions;
- ii. provide legal services relating to the primary functions;
- iii. industrial and project security;
- iv. configuration management services related to the primary functions;
- v. management of project assets;
- vi. management of IP acquired in the course of rendering services to the DOD; and
- vii. the rendering of freight forwarding services.

- **Corporate functions:**

The Corporation must maintain other corporate functions as required to support the core activities, to exist and function as a legal entity, as well as those that may be dictated by the specific business requirements.

Armscor's Corporate Strategy and Planning supports and is in alignment with the DOD Planning Instruments and the National Regulatory Framework. Armscor Corporate Plan, together with the DOD APP, Castle Control Board and the Military Ombud APP, is tabled annually in Parliament during March. Since 2015, the DOD Planning Instruments were tabled in Parliament on time, which means full compliance by the Department and Armscor with Regulatory Frameworks. Armscor also presented its Corporate Plan to the Portfolio Committee on Defence and Military Veterans, which was approved and adopted by the Committee, since 2015 and Annual Report in Quarter two (September).

#### 14.5 Human Capital provided for the 2022/23 Financial Year (Table 2)

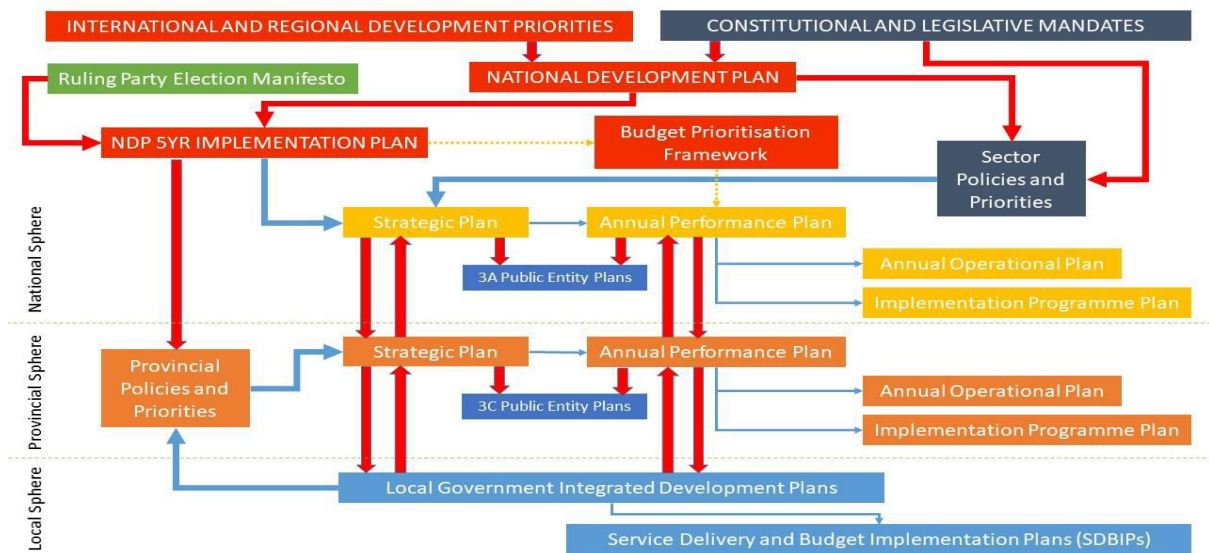
**Table 2: Armscor's Human Capital for 2022/23 Financial Year**

Armscor Group	Total Permanent Employees	Total Contract Employees (excl. TDPs & Ledger fund)	Talent Development Programme (TDP)	Total Employees
Armscor (Excluding R&D)	604	13	12	629
Research & Development	301	30	16	347
Armscor Dockyard	354	13	4 TDPs and 1 Apprentice	372
<b>TOTAL</b>	<b>1259</b>	<b>56</b>	<b>33</b>	<b>1 348</b>

**PART C: MEASUREMENT OF ARMSCOR'S PERFORMANCE**

Over the financial years 2019 - 2024 MTSF period, Armscor will continue to support the Government's priorities and ultimately the NDP, Vision 2030, as well as the NDP five-year Implementation Plan. Furthermore, Armscor will ensure alignment with the National, Provincial and Local Government Planning Cycle, as articulated in the Revised Framework for departmental SPs and APPs and as reflected in Figure 11.

**Figure 11: National, Provincial and Local Government Planning Alignment**



**15. Armscor Programme Performance Information**

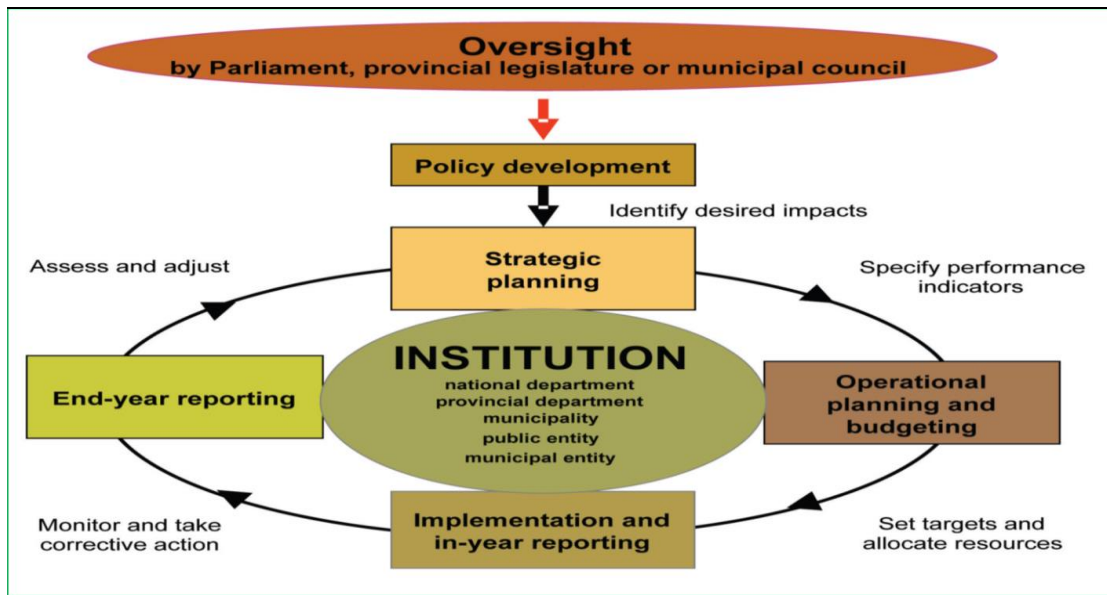
**15.1 Description of the Armscor Planning, Budgeting, and Reporting Cycle (Armscor Cycle)**

The Armscor Cycle, which is aligned to the National Planning, Budgeting, and Reporting Cycle, provides the Corporation's norms and standards within which outcomes-based planning, budgeting, reporting, and risk management processes are executed in the realisation of the Armscor mandate. The Armscor Cycle aims primarily at ensuring the following high-level aspects:

- the implementation of departmental outcomes-based (logical model) planning, budgeting, reporting, and risk management within Armscor;
- the alignment of planning, budgeting, monitoring, and evaluation (reporting) processes and risk management of Armscor within the requirements of national legislation; and
- the improvements of output delivery accountability.

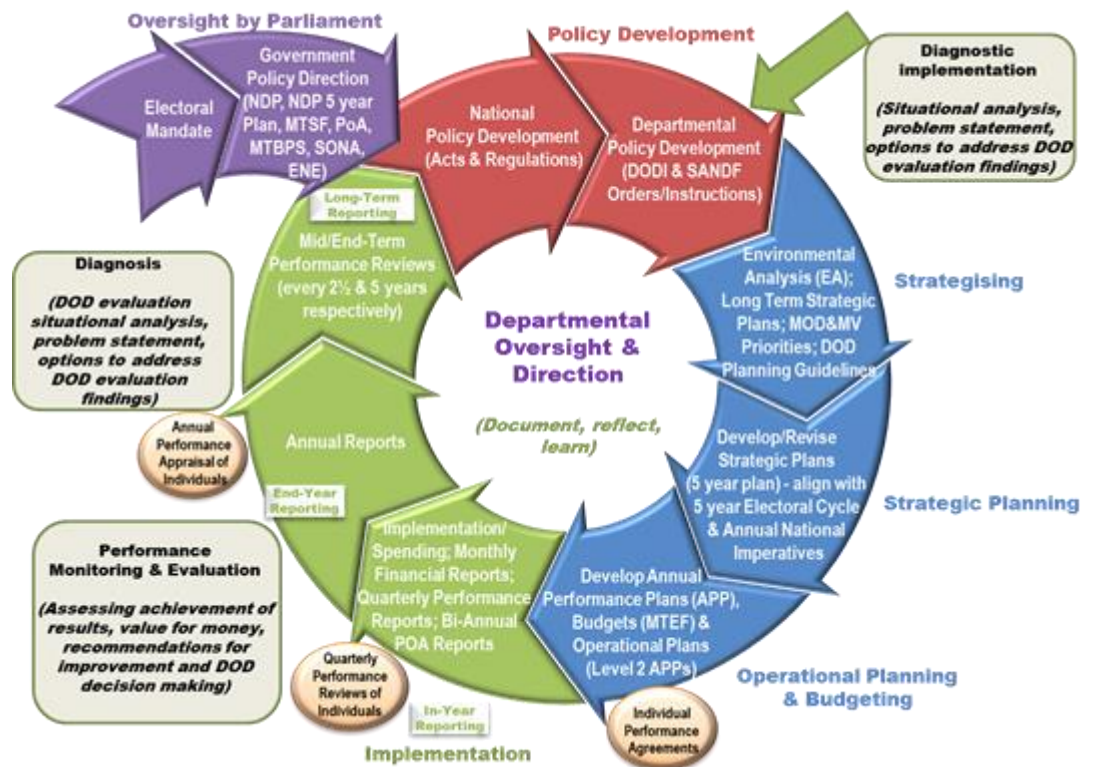
Armscor performance information management, focuses strategically on meeting Armscor's mandate and support the defence mandate, as aligned with the intent and priorities of Government, to ensure the delivery of value to the citizens of South Africa. The National Planning, Budgeting, and Reporting Cycle is outlined in Figure 12, to which Armscor is aligned.

**Figure 12: National Planning, Budgeting and Reporting Cycle**



The Armscor Cycle is outlined in Figure 13, with a subsequent brief description of each of the main components of the cycle.

**Figure 13: The Armscor Planning, Budgeting, and Reporting Cycle**



The Armscor Cycle and associated processes ensures an alignment with the National Planning, Budgeting, and Reporting Cycle. This enables the translation of national policy direction and imperatives into departmental policies that inform the development of departmental strategies and planning instruments. The Armscor Cycle includes the following primary components:

- **National Oversight:** National oversight is a constitutionally mandated function over legislative organs of state and public entities. Numerous national institutions have a legislative oversight over Armscor's institutional performance, thereby ensuring that desired departmental outputs are achieved commensurate to the resource allocation and value to citizens. National oversight entities evaluate the content of Armscor's planning instruments, performance reports, and reviews and address the adherence to that which was planned and that which was ultimately achieved. Evaluation feedback by the national oversight entities includes inputs, which relate to adherence and compliance or non-adherence and non-compliance to the departmental change and sustained agenda.
- **Armscor Policy Development:** Armscor's policy development entails the development and maintenance of policies and guidelines, formulated as a result of the annual environmental analysis of the prevailing internal and external environment and associated factors that have a bearing on operations and plans. The corporate policy (core and functional) directs the further development of strategies, plans, and management interventions in support of the Armscor mandate through formulated output deliverables.
- **Armscor Strategy Development:** The strategy development component of the Armscor Cycle addresses the strategy that informs subsequent long-term (core and functional) strategies. This component takes into consideration the annual assessment of the prevailing departmental SWOT analysis to which Armscor is exposed and which are taken into consideration during the strategy formulation and adjustment processes.
- **Armscor Planning and Budgeting:** The planning and budgeting component of the Armscor Cycle informs the development of the extended long-term Development Plan (20 – 30 years) and the Corporate Plan (three-year period). The planning process is the resourced implementation mechanism, through which strategy is enabled within the prevailing resource considerations for the period under review. The annual departmental review of the external and internal environment, as informed by the annual SWOT and environmental scanning process, is conducted and informs the annual adjustments, when and if so required, to the annual Armscor Corporate Plan, inclusive of resourced performance information (performance indicators and targets). The revised performance information is formally endorsed through the relevant management forums and is finally affixed to the Armscor Corporate Plan.
- **Implementation:** This component of the Armscor Cycle addresses the in-year implementation of the approved Armscor Corporate Plan. The performance agreement sets specific, agreed-upon performance information (measures and targets), linked to Armscor's Strategy, Corporate Plan, operational plans and annual budget that are to be attained by the individual.
- **Monitoring and Evaluation:** This component of the Armscor Cycle consists of in-year, end-term, and long-term performance reporting and evaluation. In-year performance reporting consists of the following three subfunctions: monthly financial performance reporting and evaluation, quarterly performance reporting, annual reporting and evaluation, and additional performance reporting and evaluation, when and if so required. Long-term performance reviewing consists of the end of term performance reviewing and performance reviewing since 1994.

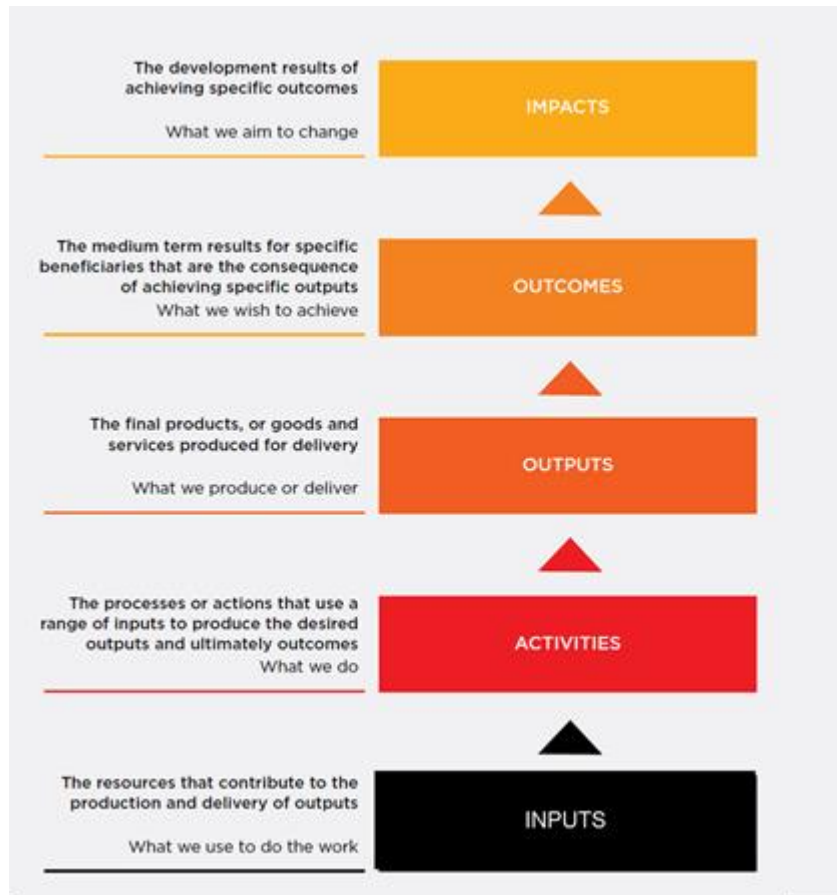
## 15.2 Key Performance Information Concepts (Results-Based Model)

The Armscor Results-Based Model was developed in alignment with DPME requirements, as prescribed in the DPME revised framework, for Managing Programme Performance Information. However, from a governance perspective, Armscor has ensured alignment with DPME's revised framework. Armscor's outcomes-based planning, budgeting, risk management, and reporting processes will be executed in the realisation of the Armscor mandate as translated into the Armscor's Results-Based Model. The Results-Based Model concepts as implemented in Armscor are depicted in Figure 14, as stated in the Armscor Corporate Plan.

- **Armcor Results-Based Model Overview**

Armcor Results-Based Model<sup>5</sup> is developed in alignment with the National Treasury “Logic/Results-Based Model” (Figure 14) requirements as prescribed in the National Treasury Framework for Managing Programme Performance Information and the Results-Based Concepts as articulated in the Revised Framework for Strategic Plans and APPs as directed by the DPME.

**Figure 14: Key Performance Information Concepts (Results-Based Model)**



The inputs and building for the future are done through the internal process. The key components of the logic model are as follows:

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<sup>5</sup> Terminology aligned to the DPME Revised Framework and the National Treasury Instruction No 5: “Implementation of the Revised Framework for Strategic Plans and Annual Performance Plans (2019) dated 15 November 2019 for governance purposes.

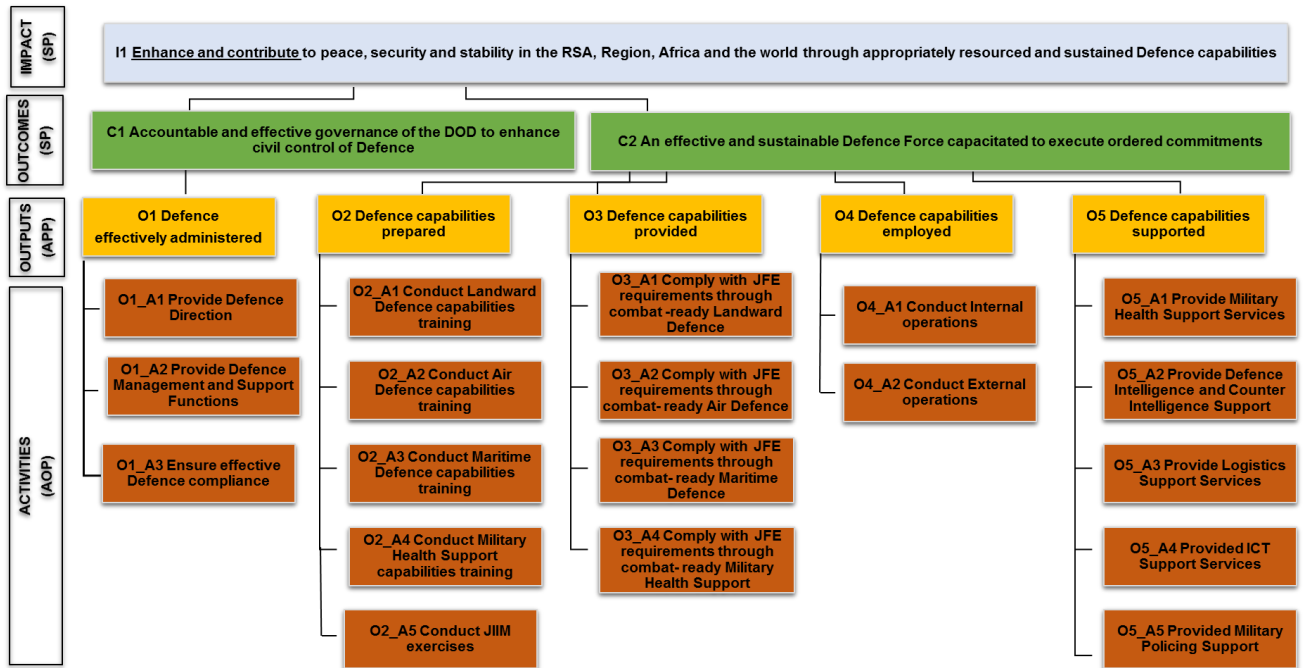
- **Impacts:** Armscor Impacts, managed through the achievement of planned outcomes. "Equity" indicators at the "**outcome/impact**" level of the model explores whether services are being provided impartially, fairly and equitably to all stakeholders.
- **Outcomes:** Armscor Outcomes are defined as "**that which we wish to achieve**" and are the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs.
- **Outputs:** Armscor Outputs are defined as "**what we produce or deliver**" and include the final products, goods and services produced for delivery. Outputs, as with activities and inputs, are planned and budgeted for, and implemented under the control of the Department.
- **Activities:** Armscor Activities are defined as "**what we do on a daily basis**" and include the processes or actions that utilise a range of inputs (resources) to produce the desired outputs and, ultimately, outcomes. "Economy" indicators at the "input/activity" level of the models explore whether specific inputs are acquired at the lowest cost and at the right time and whether the method of producing the requisite outputs is economical.
- **Inputs:** Armscor Inputs (resources) are defined as "**what we use to do the work on a daily basis**" and include the resources that contribute to the development and delivery of the departmental outputs and activities.

The above Results-Based Model and the components provided therein, systematically add value to Armscor when supported by well-defined and auditable performance information (Impact, Outcome and Output performance indicators and targets) thereby providing for and enabling the "measuring of what must be done and what has been achieved".

### 15.3 Armscor's Results-Based Model

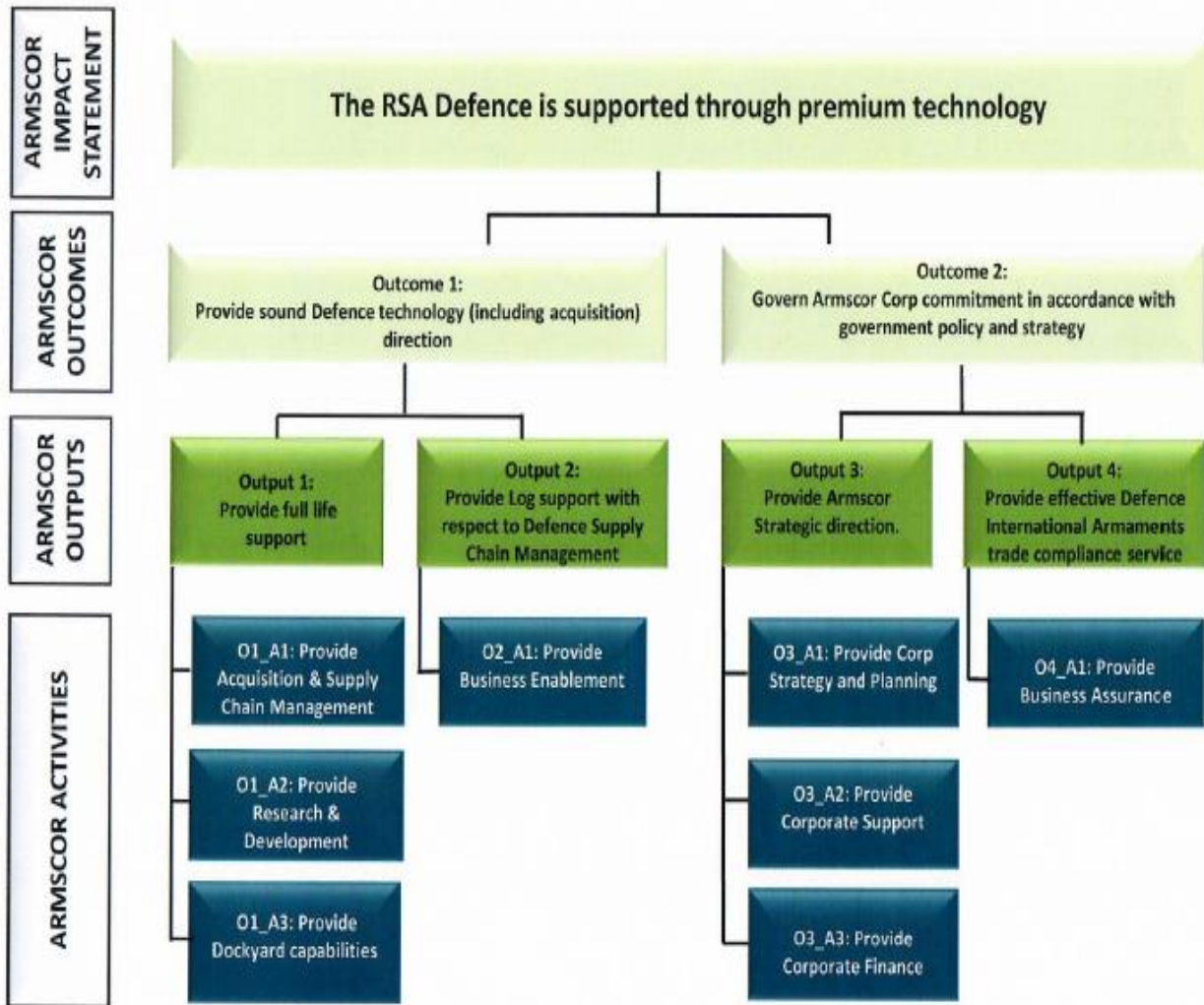
The Armscor's Results-Based-Model (Figure 16) was developed in conjunction with the DOD. It is in support and aligned with the DOD Results-Based Model (Figure 15), which is also in accordance with the National Treasury Framework on Strategy and Programme Performance Information.

**Figure 15: Department of Defence Results-Based Model**





**Figure 16: Armscor Results-Based Model**



## 16. ARMSCOR'S SERVICE DELIVERY INDICATORS<sup>6</sup>

The service level agreement (SLA) between Armscor and the DOD, as reflected in Table 3, specifies targets to be aimed for:

### **Output 1: Provide full life support**

#### 16.1 **Output (A1) : Acquisition activities (Goal 1 and 2)**

The outputs are defined as follows:

- Contracts to be placed by Armscor: Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD.
- Cash flow (contractual payments made): Target set to measure the actual cash flow against the formally planned cash flow (First Revision) in terms of achieved commitments for the financial year.

#### 16.2 **Output (A1): Schedule Placement (Goal 3)**

The output is defined as follows:

Target set to measure the average time taken from receipt of valid requirement to placement of contract.

#### 16.3 **Output (A1): Management of Defence Industrial Participation (DIP) (Goal 4)**

The output is defined as follows:

Target set to measure the execution of DIP obligations in terms of the SLA and in compliance with the Armscor Act.

#### 16.4 **Output (A2): Management and execution of defence technology, research, and test and evaluation requirements of the DOD (Goal 5)**

The output is defined as follows:

The target set to achieve completion of contractual milestones and deliveries as per orders received.

#### 16.5 **Output (A3): Performance against mandate (Goal 6)**

The output is defined as follows:

The SLA between Armscor and the South African Navy specifies targets to be reached for the Dockyard.

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<sup>6</sup> Aligned to National Treasury Regulations for Public Entities Schedule 2, with a three-year focus.

**Table 3: Armscor’s Service Delivery Indicators**

**GOAL 1 (A1): CAT 1 CAPITAL DEFENCE MATÉRIEL ACQUISITION, EXCLUDING STRATEGIC DEFENCE ACQUISITION, INCLUDING TECHNOLOGY ACQUISITION**

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<p>1.1 Percentage of DOD capital requirements converted into orders placed, including:</p> <ul style="list-style-type: none"> <li>• receipt of requirement;</li> <li>• assessment and confirmation of requirement;</li> <li>• submission of a top-level project schedule (Planning Document) to DMD within 14 working days;</li> <li>• initiation of sourcing solution; and</li> <li>• approval and placement of order.</li> </ul> <p>(Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the</p>	Service Level Agreement	100%	99,97%	98,23%	95%	95%	95%	95%

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21		2021/22	2022/23	2023/24
DOD).								
1.2 Execution of contracts as measured through actual cash flow on DOD orders placed.  (Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD).	Service Level Agreement	96,96%	103,18%	97,39%	95%	95%	95%	95%

### Quarterly Targets

Output Indicator:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
			2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
1.1	Percentage of DOD capital requirements converted into orders placed, including:	95%	-	-	-	95%

Output Indicator:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
	<ul style="list-style-type: none"> <li>• receipt of requirement;</li> <li>• assessment and confirmation of requirement;</li> <li>• submission of a top-level project schedule (Planning Document) to DMD within 14 working days;</li> <li>• initiation of sourcing solution; and</li> <li>• approval and placement of order.</li> </ul> <p>(Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD).</p>					
1.2	<p>Execution of contracts as measured through actual cash flow on DOD orders placed.</p> <p>(Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD).</p>	95%	-	-	-	95%

**GOAL 2 (A1): SYSTEM SUPPORT ACQUISITION AND PROCUREMENT**

Output indicator	Programme/ Output / Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<p>2.1 Percentage of DOD system support and procurement requirements converted into orders placed including:</p> <ul style="list-style-type: none"> <li>• receipt of requirement;</li> <li>• assessment and confirmation of requirement;</li> <li>• submission of a top-level project schedule (Planning Document) to DMD within 10 working days;</li> <li>• initiation of sourcing solution; and</li> <li>• approval and placement of order.</li> </ul> <p>(Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD).</p>	Service Level Agreement	99,79%	92,45%	98,34%	95%	95%	95%	95%

Output indicator	Programme/ Output / Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21		2021/22	2022/23	2023/24
2.2 Execution of contracts as measured through actual cash flow on DOD orders placed.  (Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD).	Service Level Agreement	96,75%	123,35%	96,27%	95%	95%	95%	95%

#### Quarterly Targets

Output Indicator:		Annual Target	Quarterly Targets			
			<i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
2.1	Percentage of DOD system support and procurement requirements converted into orders placed including: <ul style="list-style-type: none"> <li>receipt of requirement;</li> <li>assessment and confirmation of</li> </ul>	95%	-	-	-	95%

Output Indicator:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
	requirement; <ul style="list-style-type: none"> <li>• submission of a top-level project schedule (Planning Document) to DMD within 10 working days;</li> <li>• initiation of sourcing solution; and</li> <li>• approval and placement of order.</li> </ul> (Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD).					
2.2	Execution of contracts as measured through actual cash flow on DOD orders placed. (Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD).	95%	-	-	-	95%



**GOAL 3 (A1): SCHEDULE PLACEMENT**

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21		2021/22	2022/23	2023/24
<p>3.1 Average time taken to convert DOD requirements into orders including:</p> <ul style="list-style-type: none"> <li>▪ confirmation of requirement;</li> <li>▪ submission of a top-level project schedule (Planning Document) to DMD within 10 to 14 working days;</li> <li>▪ completion of sourcing process; and</li> <li>▪ approval and placement of order.</li> </ul> <p>(Time taken from registration of requirement to placement of contract-excluding time required for FA approval).</p>	<p>Service Level Agreement</p> <p>Days for shortened process commercial off-the-shelf (COTS) items</p> <p>Days for non-COTS and Product Support General Defence Accounts (GDA) procurement</p> <p>Days for Special Defence Account (SDA) acquisition programmes (SDA acquisition</p>	<p>73 days for shortened process COTS items</p> <p>111,05 days for non-COTS and Product Support GDA procurement</p> <p>133,88 days for SDA acquisition programmes</p>	<p>88,48 days for shortened process COTS items</p> <p>83,84 days for non-COTS and Product Support GDA procurement</p> <p>150 days for SDA acquisition programmes</p>	<p>64,65 days for shortened process COTS items</p> <p>104,42 days for non-COTS and Product Support GDA procurement</p> <p>147,47 days for SDA acquisition programmes</p>	<p>90 days for shortened process COTS items</p> <p>120 days for non-COTS and Product Support GDA procurement</p> <p>145 days for SDA acquisition programmes</p>	<p>90 days for shortened process COTS items</p> <p>120 days for non-COTS and Product Support GDA procurement</p> <p>140 days for SDA* acquisition programmes</p>	<p>90 days for shortened process COTS items</p> <p>120 days for non-COTS and Product Support GDA procurement</p> <p>140 days for SDA* acquisition programmes</p>	<p>90 days for shortened process COTS items</p> <p>120 days for non-COTS and Product Support GDA procurement</p> <p>140 days for SDA* acquisition programmes</p>

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	includes capital and technology acquisition)							

Note: \* Relates to historical programmes

### Quarterly Targets

Output Indicator:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
			2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
3.1	<p>Average time taken to convert DOD requirements into orders including:</p> <ul style="list-style-type: none"> <li>▪ confirmation of requirement;</li> <li>▪ submission of a top-level project schedule (Planning Document) to DMD within 10 to 14 working days;</li> <li>▪ completion of sourcing process; and</li> <li>▪ approval and placement of order.</li> </ul> <p>(Time taken from registration of requirement to placement of contract-excluding time required for FA approval).</p>	<p>90 days for shortened process COTS items</p> <p>120 days for non-COTS and Product Support GDA procurement</p> <p>140 days for SDA* acquisition programmes</p>	-	-	-	<p>90 days for shortened process COTS items</p> <p>120 days for non-COTS and Product Support GDA procurement</p> <p>140 days for SDA* acquisition programmes</p>

Note: \* Relates to historical programmes

**GOAL 4(A1): MANAGEMENT OF DEFENCE INDUSTRIAL PARTICIPATION**

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21		2021/22	2022/23	2023/24
4.1 Value of Defence Industry Participation credits to be granted.	Service Level Agreement	R53,0m	R116,27m	R95,76m	R129,95m	R111,31m	R84,0m	R23,0m

**Quarterly Target**

Output Indicator:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
			2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
4.1	Value of Defence Industry Participation credits to be granted.	R111,31m	-	-	-	R111,31m

**GOAL 5 (A2): MANAGEMENT AND EXECUTION OF DEFENCE TECHNOLOGY, RESEARCH, TEST AND EVALUATION AND IP MANAGEMENT REQUIREMENTS (STRATEGIC FACILITIES AND CAPABILITIES) OF THE DOD**

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
5.1 Percentage of execution of technology requirements.  (R&D to achieve contractual milestones/deliveries as per agreed MoA and orders received for the financial year).	Service Level Agreement	100,03%	96,54%	97,50%	95%	95%	95%	95%

**Quarterly Target**

Output Indicator:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
5.1	Percentage of execution of technology requirements.  (R&D to achieve contractual milestones/deliveries as per agreed MoA and orders received for the financial year).	95%	-	-	-	95%

**GOAL 6(A3): MANAGEMENT AND PERFORMANCE AGAINST DOCKYARD MANDATE (SOUTH AFRICAN NAVY/DOCKYARD PERFORMANCE MANAGEMENT IN TERMS OF SLA WITH THE SOUTH AFRICAN NAVY)**

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21		2021/22	2022/23	2023/24
<p>6.1 Percentage of project tasking and job cards executed.</p> <p>(Adherence to project tasking as approved in the project plan &amp; execution of the adhoc activities).</p> <p>6.1.1 Projects (Special projects/Docking Essential Defects (DED)/Refit).</p> <p>6.1.2 Adhoc activities (daily jobs requests: Assisted Maintenance Period (AMP) support, Operational Defect (OPDEF).</p>	Service Level Agreement	91,8%	93%	92,5%	90%	90%	90%	90%
<p>6.2 Percentage of compliance to project finance</p> <p>(Manage project finances in accordance with approved financial</p>	Service Level Agreement	87,3%	90%	99,9%	90%	90%	90%	90%

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21		2021/22	2022/23	2023/24
authorities and cash-flow plan).								
6.3 Percentage of ancillary services executed  (Provision of ancillary services as defined by South African Navy [power generation, air supply, water supply, crane support requirements, etc.] as per Dockyard funded business plan).	Service Level Agreement	95%	97%	100%	95%	95%	95%	95%
6.4 Percentage of training requests executed  (Training provided in accordance with the plan and requirements submitted by South African Navy during the reporting period).	Service Level Agreement	100%	100%	100%	90%	100%	100%	100%
6.5 Percentage compliance with quarterly report timelines  (Supply quarterly reports to Flag Officer Fleet that	Service Level Agreement	100%	100%	100%	90%	100%	100%	100%

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., as per reporting timeline schedule).								

### Quarterly Target

Output Indicator:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
6.1	<p>6.1 Percentage of project tasking and job cards executed.</p> <p>(Adherence to project tasking as approved in the project plan &amp; execution of the adhoc activities).</p> <p>6.1.1 Projects (Special projects/Docking Essential Defects (DED)/Refit).</p> <p>6.1.2 Adhoc activities (daily jobs requests: Assisted Maintenance Period (AMP) support, Operational Defect (OPDEF).</p>	95%	-	-	-	95%
6.2	<p>Percentage of compliance to project finance</p> <p>(Manage project finances in accordance with approved financial authorities and cash-flow plan).</p>	95%	-	-	-	95%
6.3	<p>Percentage of ancillary services executed</p> <p>(Provision of ancillary services as defined by South African Navy [power generation, air supply, water supply, crane support requirements, etc.] as per Dockyard funded business plan).</p>	90%	-	-	-	90%
6.4	<p>Percentage of training requests executed</p> <p>(Training provided in accordance with the plan and requirements submitted by South African Navy during the reporting period).</p>	95%	-	-	-	95%



Output Indicator:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
6.5	Percentage compliance with quarterly report timelines (Supply quarterly reports to Flag Officer Fleet that addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., as per reporting timeline schedule).	100%	-	-	-	100%

## 17. ARMSCOR'S STRATEGIC PRIORITIES

17.1 Armscor's strategies are aimed at improving the following aspects:

- customer satisfaction through service delivery standards;
- accountability in the execution of the mandate;
- financial responsibility and the responsible utilisation of scarce financial resources;
- efficiency, effectiveness, and economical service delivery; and
- utilisation of the human capacity of Armscor to provide the services required from Armscor as defined in:
  - the Armaments Corporation of South Africa (SOC) Limited Act;
  - the Shareholder's Compact between Armscor's Board of Directors and the Minister of Defence and Military Veterans; and
  - the SLA between Armscor and the DOD, as also agreed upon in the Memorandum of Agreement between Armscor and various DOD services and divisions.

17.2 Armscor's key strategic initiatives:

Armscor's key strategic initiatives, as reviewed and programmes are set out under each of the Corporation's four strategic outputs, as reflected in Figure 17.

17.2.1 Strategic priorities:

Armscor will meet the requirements of DOD and other clients on-time in-time, by employing financially and operationally sustainable techniques. This means:

**"On Time"** – delivery to the client will be timeous, so as to not compromise deployments, especially in light of the clients' critical roles in serving society.

**"In Time"** – ensuring that the client has the required capability to do their work when they need to.

**"Towards a Sustainable Future"** – acquisition, use, maintenance, and disposal of resources in a manner that will enable the Corporation to deliver on its mandate, both in the short-term and extended long-term periods.

Armscor embarked on an organisational turnaround with the objective of repositioning the Corporation to best meet its strategic initiatives. This included the establishment of new capability to ensure the sustainability of the Corporation.

This intent is informed by a need to reform business processes and resourcing to address service-delivery problems and address the funding shortfall of the Corporation, which is as a result of a national economic downturn.

17.3 The main focus areas of Armscor are:

- Armscor's main focus area is the acquisition of defence matériel for SANDF and contracting for through-life support of in-service equipment.
- Armscor's Dockyard offers repair and maintenance services to the South African Navy, as well as structures, such as commercial agreements, which exploit the capabilities of the Dockyard for commercial purposes.
- R&D provides research, development, and test and evaluation support to acquisition and SANDF operational users.
- Business Enablement Business Unit has been established to fast-track exploitation of opportunities identified for revenue generation.

17.4 Categories of Performance Indicators:

Armscor's Corporate Plan defines two categories of performance indicators. The first category addresses performance indicators that measure the execution of Armscor's functions as defined in the

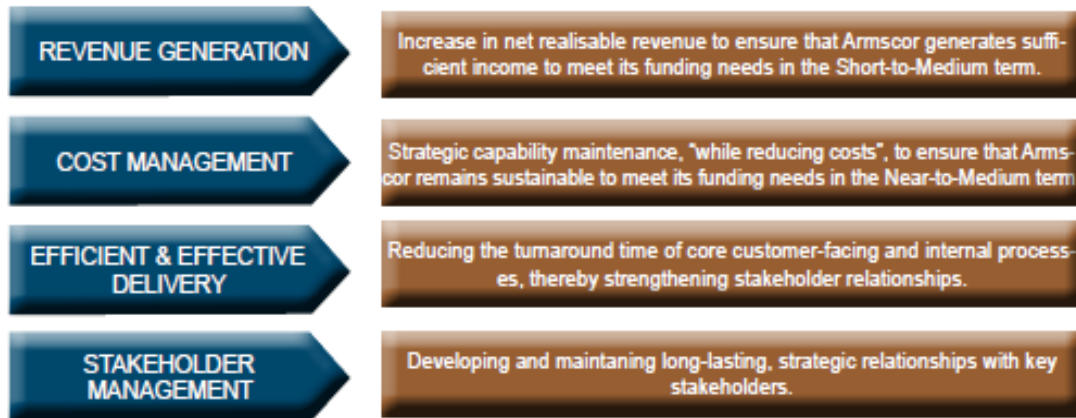
Armcor Act and as agreed on in the SLA with the DOD. The second category measures the attainment of the strategic outputs of the Corporation.

**Output 3: Provide Armcor Strategic direction**

17.5 Armcor’s Strategic Outputs:

In order to best achieve the Armcor Strategy, Armcor identified four strategic outputs as reflected in Figure 17:

**Figure 17: The Four Strategic Outputs**



Armcor’s key strategic initiatives, set out under each of the Corporation’s four strategic outputs, are reflected in Table 4.

**Table 4: Armscor's Strategic Outputs**

**Strategic Output (A1): Revenue Generation**

Outcome		Output						Target
1.1	Generate additional realisable revenue.	Generate additional income from existing and new sources.						31 March 2023
Output Indicators:		Audited/Actual performance			Current year	Estimated medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
1.1.1	Group Revenue (transfer payment, other income, and finance income).	R1 377,4m	R1 370,5m	R1 289m	R1 324,3m	R1 401,9m	R1 422,52m	R1 480,3m
1.1.2	Revenue from existing facilities of Armscor R&D.	New Indicator	R393 588 057	R341m	R310m	R206,5m	5% increase on baseline based on planned figure of 2022/23	5% increase on baseline based on planned figure of 2023/24
1.1.3	Revenue generated from the Business Enablement Business Unit.	R23m	R31,8m	R16,9m	R33,3m	R31,4m	R33m	R34,7m

## Quarterly Targets

Output Indicators:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.1.1	Group Revenue (transfer payment, other income, and finance income).	R1 401,9m	R344,3m	R343,7m	R349m	R364,9m
1.1.2	Revenue from existing facilities of Armscor R&D.	R206,5m	R46,5m	R49,1m	R53,1m	R57,8m
1.1.3	Revenue generated from the Business Enablement Business Unit.	R31,4m	R6,1m	R6,1m	R11,1m	R8,1m

- 1.1.2 Revenue is not reflecting only commercial income. It reflects total income generated (including DOD income, but excluding the Primary Transfer Payment). The target was reviewed and a more realistic target was set.
- 1.1.3 The target was reviewed and a more realistic target was set.

### Strategic Output (A1): Cost Management

Outcome		Outputs						Target
2.1	Strategic maintenance and reduction of capital and operating costs.	Reduce Group costs, including finance, capital, and operating costs, to ensure zero financial deficit.						31 March 2023
Output Indicator:		Audited/Actual Performance			Current year	Estimated medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
2.1.1	Improve net financial position.	R235,3m	R178,7m surplus	R124,3m surplus	R3,1 surplus	R16,1m deficit	R1,1m surplus	R9,8m deficit

### Quarterly Targets

Output Indicator:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
2.1.1	Improve net financial position.	R16,1m deficit	R42,1m deficit	R59,4m surplus	R1m deficit	R116,6m deficit

**Strategic Output (A2): Efficient and Effective Delivery**

Outcome		Output				Target		
3.1	Effective Technology and IP Management.	<ul style="list-style-type: none"> <li>Participate and execute the Technology Development Master Plan, conduct research to sustain and grow defence technology base, maintain and sustain strategic test capabilities.</li> <li>Effective management of IP-related technologies.</li> </ul>				31 March 2023		
3.2	Infrastructure Renewal.	<ul style="list-style-type: none"> <li>Renew application systems to improve effectiveness and efficiency.</li> <li>Investigate and implement e-procurement.</li> <li>Improve Information Security.</li> </ul>				31 March 2023		
Output Indicators:		Audited/Actual Performance			Current year	Estimated medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
3.1.1	Development and Test Services: <ul style="list-style-type: none"> <li>Percentage compliance with DOD contracted work, in accordance with SLA between Armscor and DOD.</li> </ul>	99,6%	121%	98,68%	90%	90%	90%	90%
3.1.2	Completion of IP requests in terms of Armscor process.	85,7%	100%	100%	80%	80%	80%	80%

Output Indicators:		Audited/Actual Performance			Current year	Estimated medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
3.1.3	Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of Armscor and DOD Intangible Capital Assets under Armscor's management.	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025
3.1.4	Commercialise one IP Technology. (provided that there is an Armscor owned IP that is already at Technology Readiness Level 9 and can be commercialised).	New Indicator	New Indicator	New Indicator	31 March 2022	31 March 2023	31 March 2024	31 March 2025
3.2.1	Renew application systems to improve effectiveness and efficiency: <ul style="list-style-type: none"> <li>Appoint an Enterprise Resource Planning (ERP) Service Provider.</li> </ul>	New Indicator	New Indicator	New Indicator	31 May 2021	31 March 2023	-	-



Output Indicators:		Audited/Actual Performance			Current year	Estimated medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	<ul style="list-style-type: none"> <li>Implementation of the approved application system renewal plan.</li> </ul>	New Indicator	40%	60%	80%	80%	80%	80%
	<ul style="list-style-type: none"> <li>Implement IT Infrastructure Renewal in line with Business Continuity Plan in times of crises.</li> </ul>	New Indicator	New Indicator	New Indicator	31 March 2022	31 March 2023	31 March 2024	31 March 2025
3.2.2	<p>Improve Cybersecurity Capability:</p> <ul style="list-style-type: none"> <li>80% Implementation of the annually approved Cybersecurity Capability Implementation plan.</li> </ul>	New Indicator	New Indicator	New Indicator	30 June 2021	31 March 2023	31 March 2024	31 March 2025

### Quarterly Targets

Output Indicators:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
3.1.1	Development and Test Services: Percentage compliance with DOD contracted work, in accordance with SLA between Armscor and DOD.	90%	90%	90%	90%	90%
3.1.2	Completion of IP requests in terms of Armscor process.	80%	80%	80%	80%	80%
3.1.3	Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of Armscor and DOD Intangible Capital Assets under Armscor's management.	31 March 2023	-	-	-	31 March 2023
3.1.4	Commercialise one IP Technology. (provided that there is an Armscor owned IP that is already at Technology Readiness Level 9 and can be commercialised).	31 March 2023	-	-	-	31 March 2023

Output Indicators:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
3.2.1	Renew application systems to improve effectiveness and efficiency: <ul style="list-style-type: none"> <li>Appoint an ERP Service Provider.</li> </ul>	31 March 2023	-	-	-	31 March 2023
	<ul style="list-style-type: none"> <li>Implementation of the approved application system renewal plan.</li> </ul>	80%	80%	80%	80%	80%
	<ul style="list-style-type: none"> <li>Implement IT Infrastructure Renewal in line with Business Continuity Plan in times of crises.</li> </ul>	31 March 2023	-	-	-	31 March 2023
3.2.2	Improve Cybersecurity Capability: <ul style="list-style-type: none"> <li>80% Implementation of the annually approved Cybersecurity Capability Implementation plan.</li> </ul>	31 March 2023	-	-	-	31 March 2023

### Strategic Output (A2): Stakeholder Management

Outcome		Output						Target
4.1	Stakeholder Engagement Strategy.	Armcor to build, maintain, and strengthen relationships with all its stakeholders.						31 March 2023
4.2	Transformation of Corporation.	Transformation of the Corporation, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armcor Employment Equity Plan.						31 March 2023
Output Indicators:		Audited/Actual Performance			Current year	Estimated medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
4.1.1	Stakeholder Survey (conducted every second year).	31 March 2019 (2,67 decline)	-	26 March 2021	-	1% improvement	-	1% improvement
4.1.2	Employee engagement survey (conducted every third year): % implementation of identified interventions based on 2020/21 survey	0,01% improvement	No opportunity to perform	% improvement remained unchanged	% improvement based on 2020/21 baseline	60%	90%	N/A
4.2.1	Achievement of approved Employment Equity Plan that is directed towards: <ul style="list-style-type: none"><li>increasing black representation, and</li></ul>	81,7% black	82,97% black	83,48% black	83%	83%	83%	83%

		employees	employees	employees				
Output Indicators:		Audited/Actual Performance			Current year	Estimated medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	<ul style="list-style-type: none"> <li>improving female representation.</li> </ul>	38% female employees	38,43% female employees	39,20% female employees	40%	40%	40%	40%
4.2.2	Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4%).	2,28%	2,78%	1,55%	≤4%	≤4%	≤4%	≤4%
4.2.3	Skills Development Programme: <ul style="list-style-type: none"> <li>Provision of bursaries for full-time studies (cumulative number).</li> </ul>	35	37	34	23*	23*	23*	23*
	<ul style="list-style-type: none"> <li>Contracting and development of graduate as interns, i.e. Talent Development Programme (Cumulative number).</li> </ul> <p><i>(Note: Armscor to proactively accommodate youth and Military Veterans in contracting TDPs).</i></p>	45	40	40	30*	30*	30*	30*

Output Indicators:		Audited/Actual Performance			Current year	Estimated medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
4.2.4	Succession Planning Development: Percentage compliance with Succession Planning Development (key identified positions).	91,48%	81,01%	87,50%	80%	80%	80%	80%
4.2.5	Total number of people with disabilities.	22	25	25	28	28	28	28

Note: \* The targets for Bursaries and Talent Development Pool have been reduced due to budget constraints.

#### Quarterly Targets

Output Indicators:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
			2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
4.1.1	Stakeholder Survey (conducted every second year).	1% improvement	-	-	-	1% improvement
4.1.2	Employee engagement survey (conducted every third year): % implementation of identified interventions based on 2020/21 survey	60%	-	-	-	60%

Output Indicators:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
4.2.1	Achievement of approved Employment Equity Plan that is directed towards:					
	<ul style="list-style-type: none"> <li>increasing black representation, and</li> <li>improving female representation.</li> </ul>	83%	-	-	-	83%
		40%	-	-	-	40%
4.2.2	Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4%).	≤4%	-	-	-	≤4%
4.2.3	Skills Development Programme:					
	<ul style="list-style-type: none"> <li>Provision of bursaries for full-time studies (Cumulative number).</li> </ul>	23	-	-	-	23
	<ul style="list-style-type: none"> <li>Contracting and development of graduate as interns, i.e. Talent Development Programme (Cumulative number).</li> </ul> <p><i>(Note: Armscor to proactively accommodate youth and Military Veterans in contracting TDPs)</i></p>	30	-	-	-	30

Output Indicators:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2022/23	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
4.2.4	Succession Planning Development:  Percentage compliance with Succession Planning Development (key identified positions).	80%	-	-	-	80%
4.2.5	Total number of people with disabilities.	28	-	-	-	28



## **18. ARMSCOR'S BUSINESS STANDARDS**

- 18.1 Armscor is fully committed to the principles of good corporate governance and subscribes to the recommendations of the King IV Report on Corporate Governance for South Africa. Armscor, as a public entity, also implements and adheres to the prescriptions of PFMA, its regulations, and the protocol on corporate governance in the public sector.
- 18.2 Furthermore, Armscor embraces business standards and principles that are ethical, professional, performance focused, and service orientated.
- 18.3 Armscor has developed and implemented policies, practices, procedures, and standards to internalise these business standards in its functions and service delivery to the DOD and other clients. These policies, practices, procedures, and standards are regularly updated in order to adapt them to changes in the environment and to enhance accountability of Armscor's processes.

## **19. ARMSCOR'S CRITICAL SUCCESS FACTORS**

The role of the Minister of Defence and Military Veterans and of the DOD in the success of the strategy cannot be overemphasised. The following are some of the additional factors that underpin the success of the strategy:

### **19.1 Funding:**

The external environmental scan reflected a decline in South Africa's defence budget. This is also reflected in the decline in the economic outlook for South Africa over the medium-term, which has resulted in the significant funding reductions over this period. Although Armscor strives to supplement its current funding model through commercial endeavours, the risk of funding which is beyond the direct control of the Corporation, is acknowledged.

### **19.2 Effective Information and Physical Security:**

- **Cyber security threats:** Cyber security remains a major risk for the Corporation, as it does for the world. Armscor will work in conjunction with the Defence Intelligence to strengthen its capability to mitigate the risks related to cyber security.
- **Leakage of information:** Leakage of information by personnel is a risk to the Corporation and will be managed by awareness, ethics, and other related actions, as deemed necessary.
- **Physical security:** The physical environment in which Armscor operates requires secure facilities, therefore, it is imperative that all requisite actions are taken to safeguard these environments.

### **19.3 Effective ICT Systems:**

The ICT systems in Armscor are outdated and affect the productivity of the Corporation. Reduction in funding has affected strategic imperatives to address the issue, and due to continued reduction in funding, the full realisation of these imperatives is still under threat.

### **19.4 Effective stakeholder engagement:**

Effective stakeholder engagement is essential to the success of the strategy, as a number of strategic imperatives require stakeholder support.

### **19.5 Revenue Generation:**

Increase in net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the short-to medium-term.

### **19.6 Timelines to achieve contractual obligations**

Shortened delivery timelines to achieve contractual obligations.

## **20. PUBLIC-PRIVATE PARTNERSHIPS**

20.1 It is envisaged that Armscor will not enter into any Public-Private Partnerships for the 2022/23 financial year.

## **21. RISK MANAGEMENT AND FRAUD PREVENTION**

21.1 An integrated process for risk management and fraud prevention has been implemented in Armscor and the execution of risk management and fraud prevention is an on-going process. To this end, the various levels within the Corporation participate and report to the Executive Committee, which is responsible for ensuring that all risks, both internal and external, are effectively managed.

21.2 The Executive Committee reports to the Audit and Risk Committee of the Board of Directors on progress made with the management of existing risks and the identification of new risks. The Audit and Risk Committee evaluates the progress reports and makes the necessary recommendations and comments to Armscor's Board of Directors.

21.3 Armscor's Board of Directors is ultimately accountable for risk management and fraud prevention in the Corporation. Armscor's fraud prevention is based on the following principles (the Procedure detailing actions is available on request):

- control measures to prevent fraud;
- fraud detection and subsequent investigation;
- maintenance of implemented fraud prevention measures; and
- whistle-blowing procedures.

21.4 Armscor's Risk Management Report comprises 12 identified corporate risks. Although a summarised version is set out in Table 5, a detailed report will be available to those authorised entities that wish to have insight into it.

**Table 5: Risk responses**

No.	Corporate risk	Mitigating actions
1.	Reduction of the capital budget which will have an impact on Armscor's contractual obligations.	<ul style="list-style-type: none"> <li>a) Motivate for additional funding from the DOD.</li> <li>b) Propose early termination of certain contracts to limit exposure to fruitless expenditure.</li> </ul>
2.	Financial sustainability of Armscor and loss of capabilities due to failure to fully commercialise.	<ul style="list-style-type: none"> <li>a) Reduction of dependency on the transfer payment by looking into other revenue streams.</li> <li>b) Identify and monitor initiatives for generation of income and cost saving.</li> <li>c) Implementation of a review / evaluation process on projected income from revenue generation initiatives.</li> <li>d) Implement the Dockyard Commercialisation strategy.</li> </ul>
3.	Cyber-attack.	<ul style="list-style-type: none"> <li>a) Establishment of the Cyber Innovation Division that will allow Armscor to write its own code to enable the establishment of digital auditing teams (31 March 2025).</li> <li>b) Integration of technologies at the Security Operations Centre. Acquiring and deployment of enhanced security incident and events monitoring tools. Revised date (31 March 2023).</li> </ul>
4.	Inadequate Business Continuity Management.	<ul style="list-style-type: none"> <li>a) Review and implement integrated Business Continuity Plan.</li> </ul>
5.	Loss of industry capabilities	<ul style="list-style-type: none"> <li>a) Periodically engage industry and contractors through assessment of capabilities.</li> <li>b) Development of a contracting model to enable payment of suppliers and subcontractors directly.</li> <li>c) Engage with potential alternate suppliers of critical spares and services for product systems of which Denel is the OEM. Develop suitable contracting models to involve alternate suppliers as main contractors and implement the transition from Denel to suitable alternate suppliers/service providers.</li> <li>d) Prepare a request to the DOD for funding for R&amp;D Capabilities through a Memorandum of Agreement (MoA).</li> </ul>
6.	Inability to effectively and efficiently execute strategic and operational objectives due to non-supportive IT systems.	<ul style="list-style-type: none"> <li>a) Implementation of the ERP system: <ul style="list-style-type: none"> <li>i. Appointment of Service Provider.</li> <li>ii. Review of project plan with service provider.</li> <li>iii. Implement ERP project plan.</li> </ul> </li> </ul>
7.	Global COVID-19 Pandemic.	<ul style="list-style-type: none"> <li>a) Monitor, Review and Update COVID-19 Mitigation measures as and when required.</li> </ul>
8.	Vulnerability to counter intelligence threats resulting in the compromise of security classified information.	<ul style="list-style-type: none"> <li>a) Engage Chief Defence Counter Intelligence about the delays in the adjudication process and inform EXCO of the outcome. Continuously, submit files that are ready for evaluation to the panel for consideration (Ongoing).</li> <li>b) Monitoring of Limited Access Authority process of dual/foreign citizens (Ongoing).</li> <li>c) Implement Information security awareness sessions. (Revised date 31 March 2023).</li> </ul>

No.	Corporate risk	Mitigating actions
9.	Lack of optimal functioning of systems in the HQ building due to aged infrastructure.	a) Implementation of the facilities management plan. The following are priority areas: <ul style="list-style-type: none"> <li>i. Roof waterproofing.</li> <li>ii. Air-conditioning system.</li> <li>iii. Lifts (replacement of controllers) (31 July 2022).</li> <li>iv. Access Control Systems.</li> <li>v. The PABX system and the Telephone management system have been updated.</li> <li>vi. Procurement of generators for back-up site.</li> </ul>
10.	Non-payment of monies owed by DOD and Department of Public Works and Infrastructure (DPWI) resulting in Armscor incurring losses.	a) Armscor has requested the DPWI to schedule a meeting with Special Investigating Unit (SIU) and invite Armscor, to resolve the short payment (ongoing). b) The long outstanding DOD amount in respect of a separate rental agreement, will again be raised at Ministerial level and DOD structures. c) Conclusion of new rental agreement between the DPWI and Armscor.
11.	Non-compliance with Safety, Health and Environment (SHE) statutory and regulatory requirements resulting in inability to deliver on the mandate.	a) Develop and implement SHE Awareness and Training Plan (31 March 2023). b) Conduct audits as well as quarterly reviews as per the approved SHE audit plan (April 2022-31 March 2023): <ul style="list-style-type: none"> <li>i. Conduct planned annual SHE legal compliance audits.</li> <li>ii. Monitor the implementation of corrective actions.</li> </ul> c) Maintain ISO SHE certification: <ul style="list-style-type: none"> <li>i. Recertification of ISO standards every three years.</li> </ul> d) Review and update the Hazard Identification & Risk Assessment (HIRA) Register at Corporate Level (September 2022). e) Monitor and report progress on the implementation of HIRA mitigation measures (December 2022 - 31 March 2023).
12.	Reputational risk due to association (negative perception of State Owned Enterprises).	a) Testing of the approved Fraud Prevention Plan (31 March 2022). b) Rollout the Code of Conduct and Ethics Implementation Plan.

## 22 ARMSCOR'S MATERIALITY AND SIGNIFICANCE FRAMEWORK

### 22.1 Introduction

In terms of Regulation 28.3 of the National Treasury Regulations, the accounting authority must develop and agree on a framework of acceptable levels of materiality and significance with the Executive Authority. The framework adopted for purposes of materiality and significance by Armscor and its subsidiaries, in compliance with the relevant sections of PFMA, follows:

- The materiality and significance framework implies recognition by the regulator that materiality and significance may differ from one entity to another. It also affords each public entity the opportunity to negotiate levels of materiality and significance with its respective Executive Authorities.
- The sections of PFMA mentioned in Regulation 28.1.6 deal with specific issues of disclosure to the Executive Authority, in the annual report and financial statements, as well as approval of certain transactions.
- It is apparent that certain parts of Section 50(1) and all of Section 66(1) might not be relevant for the purposes of this framework. The framework is, therefore, developed to define material facts for the purposes of Section 50(1)(c), material losses through criminal conduct, and any irregular, fruitless, and wasteful expenditure for the purposes of Section 55(2)(b)(ii), as well as significance for the purposes of Section 54(2).
- Materiality is defined in the framework for the preparation and presentation of financial statements (Accounting Standards Board framework), as well as in the International Statements and Auditing (ISA320) as follows:
  - "Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstance of its omission or misstatement. Thus, materiality provides the threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."
- Significance may contain elements of quantitative materiality, but it may require more qualitative considerations, which, in turn, requires professional judgment and particular actions within the context of Armscor's business.

### 22.2 Framework

In terms of the requirement, a framework was developed for Armscor and its subsidiaries. This is revised annually and is as follows:

- Materiality
  - Material facts:

In terms of Section 50(1)(c) of PFMA, the accounting authority for a public entity must disclose to the Executive Authority all material facts, including those reasonably discoverable, which may influence the decisions or actions of the Executive Authority.

Armscor defines material facts that will be disclosed as:

Any activity as described hereafter that involves the accounting authority and that may not necessarily result in financial losses for Armscor or is not already disclosed in terms of reporting requirements, prescribed by PFMA and its ensuing regulations.

These activities include, but are not restricted to:

    - a) corruption perpetrated by members of the accounting authority;
    - b) mismanagement by members of the Board of Directors; and
    - c) any problem/discrepancy experienced with the South African Defence-related industry that may impact negatively on SANDF.
  - Material losses and irregular, fruitless, and wasteful expenditure

In terms of Section 55(2)(b) of PFMA, the annual report and financial statements of Armscor

must include particulars of material losses through criminal conduct, as well as any irregular, fruitless, and wasteful expenditure.

Material losses through criminal conduct above R100 000.00 per incident, as well as any irregular, fruitless, and wasteful expenditure will be included in the annual report and financial statements.

- Significance

In terms of Section 54(2) of PFMA, the accounting authority must inform the National Treasury of the transaction in writing and submit any of the following relevant details to the Executive Authority for approval:

- Section 54(2)(a) – Any establishment or participation in the establishment of a company

Any transaction of this nature that causes any interest (equity or loans) to be taken by Armscor in the company to be established will be submitted for the approval of the Executive Authority, irrespective of its materiality or significance.

- Section 54(2)(b) – Participation in a significant partnership, trust, unincorporated joint venture, or similar arrangement

Significance, in this context, will be if the participation (initial or future) exceeds a rand amount calculated as the lesser of 2% of Armscor's total assets or 1% of the total revenue. However, participation in any partnership, trust, unincorporated joint venture, or similar arrangement that is located outside the RSA is to be regarded as significant, thus necessitating approval.

- Section 54(2)(c) – Acquisition or disposal of a significant shareholding in a company

(In terms of Section 21(1) of the Armscor Act No. 51 of 2003, Armscor may only form wholly owned subsidiaries). Any transaction of this nature is regarded as significant, thus necessitating approval.

- Section 54(2)(d) – Acquisition or disposal of a significant asset (excluding items addressed under Sections 54(2)(b), (c) and (f))

The value of a significant asset (excluding current assets) is determined as a rand amount exceeding an amount determined as 2% of Armscor's total assets (based on previous year's audited figures).

Assets classified as current assets according to generally recognised accounting practices (GRAP) will not be regarded as falling under this subsection.

- Section 54(2)(e) – Commencement or cessation of a significant business activity:

- a. Significance in this context refers to a business activity that falls outside Armscor's core business (functions as defined in the Armscor Act) or exceeding a rand amount as determined by the lesser of 2% of the total assets or 1% of the total revenue in the case of subsidiaries.

- b. The cessation of any business activity that is regarded as strategically important to SANDF is regarded as significant.

- c. A business activity that falls within Armscor's core business is not regarded as falling under this subsection.

- Section 54(2)(f) – A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture, or similar arrangement.

Significance in this context refers to:

- a. any change in interest in the rand value that exceeds the rand amount determined by the lesser of 2% of Armscor's total assets or 1% of the total revenue, as well as if the significance of change is originally regarded as significant;

- b. change in the nature of any of the vehicles (i.e. between a partnership, trust, unincorporated joint venture, or similar arrangement); or

- c. any transaction that results in a cumulative interest of at least 20% in the vehicle (partnership, trust, unincorporated joint venture, or similar arrangement).

*(NOTE: The stated criteria must be applied to the latest audited financial statements of the specific entity in order to determine whether compliance is required.)*

## 23. FINANCIAL PLAN

The Armscor group's three-year plan incorporates the financial results of the following segments:

- Corporate (including acquisition function, AB Logistics Freight, and Travel Services).
- Research & Development.
- Dockyard.

- Revenue

The plan reflects a stable revenue with the main source of revenue still being the Government grant received to defray the cost of the group operating expenditure, the acquisition of fixed assets and expenditure to maintain certain strategic facilities. The budgeted revenue includes the reduced allocated Government grant and no provision was made for additional reductions in the allocation received.

In addition to the Government grant, Armscor R&D facilities render specific decision support and other similar services to the DOD from which revenue is generated. Revenue is also supplemented with commercial work performed, interest earned on investments, as well as other sundry income, as the transfer payment is insufficient to fund the activities of the Group. The Group is also pursuing new revenue opportunities to supplement the revenue required to sustain the Corporation.

- Operating expenditure

Cost growth has been carefully managed over the planning period in response to the negative future outlook. The Corporation's cost base has been maintained by containment and limiting the filling of vacancies to critical areas. However, personnel costs represent a significant portion of the total cost structure, which limits the ability to reduce cost as the minimum capacity is maintained in an effort to still execute its current mandate. Due to the significant reduction of the main client's funding, Armscor may be impacted in terms of the nature and volume of acquisition work performed.

In the event that the Corporation is not successful in its efforts to generate sufficient additional revenue to supplement any significant reductions in revenue, the Corporation may have to downscale certain functions performed.

- Capital expenditure

Capital expenditure provides for:

- Maintenance of existing capabilities: the plan includes a capital expenditure programme to maintain activities.
- Application systems renewal: the budget includes an allocation for the procurement of an integrated ERP system. Provision was made to start with the replacement of critical modules that are not supportable anymore.
- Security requirements: provision is made for the upgrade of security requirements in line with identified areas of shortcomings.

- Dividends

Armscor does not declare dividends at the end of any financial period. Surpluses generated by Armscor will be used to maintain Armscor's infrastructure. Reserves are required for the total net requirement of Armscor. Cash is, therefore, retained to meet future commitments and is consequently not available for the distribution of dividends.

- Borrowing requirements

The three-year cash flow forecast is indicating a declining trend position due to the funding of capital expenditure, as it is not foreseen that Armscor will make use of borrowing facilities to fund its required capital expenditure. Armscor is also managing its operating expenditure to restrict the utilisation of cash reserves to fund its operating activities. However, if borrowings are required to fund specific activities, which Armscor is now engaging in, the scope of such borrowing will be determined on a case-by-case basis, when such requirements are finalised.



## **ANNEXURE A**

# **Armaments Corporation of South Africa SOC Limited**

## **Group Financial Information**

## Overview of 2022 Budget

**Table 6: Statement of Comprehensive Income of the Armscor Group for the 2022/23 Financial Year**

DETAIL	2021/2022 - BUDGET	BUDGET 2022/2023			
	ARMSCOR GROUP TOTAL	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT
<b>INCOME</b>	<b>(1 505.2)</b>	<b>(1 492.4)</b>	<b>(988.5)</b>	<b>(279.1)</b>	<b>(224.9)</b>
Sales	(801.9)	(581.3)	(204.3)	(179.8)	(197.1)
Less: Cost of Sales	592.4	457.2	191.5	175.7	90.0
Gross Contribution	<b>(209.4)</b>	<b>(124.1)</b>	<b>(12.8)</b>	<b>(4.1)</b>	<b>(107.2)</b>
Transfer Payment	(1 207.4)	(1 251.8)	(847.9)	(278.8)	(125.2)
SLA Income Payments	-	-	(20.9)	4.0	16.8
Other Income	(65.0)	(92.8)	(83.2)	(0.2)	(9.3)
Recoveries	(88.4)	(23.7)	(23.7)	-	-
<b>OPERATING EXPENDITURE</b>	<b>1 454.0</b>	<b>1 443.7</b>	<b>869.0</b>	<b>252.0</b>	<b>322.7</b>
Direct Personnel Costs	1 127.0	1 048.9	585.8	225.0	238.1
Indirect Personnel Costs	32.6	34.2	21.7	7.0	5.5
Subsistence and Travel	38.3	24.4	16.0	2.1	6.3
Postage and Communication	3.0	2.5	1.4	0.0	1.1
Stationery and Printing	17.8	19.3	16.3	1.0	2.0
Publications and Advertising	3.5	9.5	8.1	0.0	1.4
Rental	28.9	32.6	26.7	-	5.9
Maintenance	18.2	20.2	2.7	8.4	9.1
Computer Services	4.7	35.6	31.8	1.7	2.2
External Services	102.7	120.5	93.0	2.8	24.7
Water and Electricity	46.4	57.6	42.3	-	15.3
Other Smaller Expenditure	31.0	38.4	23.2	4.0	11.2
<b>SHORTFALL/(SURPLUS) BEFORE FINANCING</b>	<b>(51.2)</b>	<b>(48.7)</b>	<b>(119.4)</b>	<b>(27.1)</b>	<b>97.8</b>
<b>FINANCING ACTIVITIES</b>	<b>(52.0)</b>	<b>(57.3)</b>	<b>(47.9)</b>	<b>(2.0)</b>	<b>(7.5)</b>
<b>NON CASH - FLOW ITEMS</b>	<b>100.1</b>	<b>122.1</b>	<b>60.0</b>	<b>22.4</b>	<b>39.7</b>
Depreciation	100.0	111.3	60.0	11.7	39.7
Bad Debt Written Off	0.0	0.0	-	-	0.0
Surplus/Loss On Post Retirement	-	10.8	-	10.8	-
<b>NET SHORTFALL/(SURPLUS)</b>	<b>(3.1)</b>	<b>16.1</b>	<b>(107.3)</b>	<b>(6.6)</b>	<b>130.0</b>

**Table 7: Overview of 2022 Budget and Medium-Term Strategic Framework Estimates  
Arm Scor Group**

DETAIL	2022/23 BUDGET				2023/24 PLAN				2024/25 PLAN			
	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT
<b>INCOME</b>	<b>(1 492.4)</b>	<b>(988.5)</b>	<b>(279.1)</b>	<b>(224.9)</b>	<b>(1 532.9)</b>	<b>(1 000.9)</b>	<b>(287.5)</b>	<b>(244.5)</b>	<b>(1 596.9)</b>	<b>(1 042.4)</b>	<b>(299.0)</b>	<b>(255.5)</b>
Sales	(581.3)	(204.3)	(179.8)	(197.1)	(624.2)	(214.5)	(188.8)	(220.9)	(655.4)	(225.3)	(198.2)	(231.9)
Less: Cost of Sales	457.2	191.5	175.7	90.0	480.0	201.1	184.5	94.5	504.0	211.1	193.7	99.2
Gross Contribution	<b>(124.1)</b>	<b>(12.8)</b>	<b>(4.1)</b>	<b>(107.2)</b>	<b>(144.1)</b>	<b>(13.5)</b>	<b>(4.3)</b>	<b>(126.4)</b>	<b>(151.4)</b>	<b>(14.1)</b>	<b>(4.5)</b>	<b>(132.7)</b>
Transfer Payment	(1 251.8)	(847.9)	(278.8)	(125.2)	(1 266.4)	(853.3)	(287.2)	(126.0)	(1 317.1)	(887.4)	(298.7)	(131.0)
SLA Income Payments	-	(20.9)	4.0	16.8	-	(21.9)	4.2	17.7	-	(23.0)	4.4	18.6
Other Income	(92.8)	(83.2)	(0.2)	(9.3)	(97.4)	(87.4)	(0.2)	(9.8)	(102.3)	(91.8)	(0.2)	(10.3)
Recoveries	(23.7)	(23.7)	-	-	(24.9)	(24.9)	-	-	(26.1)	(26.1)	-	-
<b>OPERATING EXPENDITURE</b>	<b>1 443.7</b>	<b>869.0</b>	<b>252.0</b>	<b>322.7</b>	<b>1 472.3</b>	<b>912.5</b>	<b>264.6</b>	<b>295.2</b>	<b>1 534.3</b>	<b>951.3</b>	<b>275.2</b>	<b>307.7</b>
Direct Personnel Costs	1 048.9	585.8	225.0	238.1	1 057.8	615.1	236.3	206.4	1 099.0	639.1	245.5	214.5
Indirect Personnel Costs	34.2	21.7	7.0	5.5	35.9	22.8	7.4	5.7	37.7	24.0	7.7	6.0
Subsistence and Travel	24.4	16.0	2.1	6.3	25.6	16.8	2.2	6.6	26.9	17.6	2.3	7.0
Postage and Communication	2.5	1.4	0.0	1.1	2.7	1.5	0.0	1.1	2.8	1.6	0.0	1.2
Stationery and Printing	19.3	16.3	1.0	2.0	20.2	17.1	1.0	2.1	21.2	17.9	1.1	2.2
Publications and Advertising	9.5	8.1	0.0	1.4	9.9	8.5	0.0	1.4	10.4	8.9	0.0	1.5
Rental	32.6	26.7	-	5.9	34.2	28.1	-	6.2	35.9	29.5	-	6.5
Maintenance	20.2	2.7	8.4	9.1	21.2	2.9	8.8	9.5	22.3	3.0	9.2	10.0
Computer Services	35.6	31.8	1.7	2.2	37.4	33.3	1.7	2.3	39.3	35.0	1.8	2.4
External Services	120.5	93.0	2.8	24.7	126.5	97.6	3.0	25.9	132.9	102.5	3.1	27.2
Water and Electricity	57.6	42.3	-	15.3	60.5	44.4	-	16.1	63.5	46.6	-	16.9
Other Smaller Expenditure	38.4	23.2	4.0	11.2	40.3	24.4	4.2	11.8	42.3	25.6	4.4	12.4
<b>SHORTFALL/(SURPLUS) BEFORE FINANCING ACTIVITIES</b>	<b>(48.7)</b>	<b>(119.4)</b>	<b>(27.1)</b>	<b>97.8</b>	<b>(60.6)</b>	<b>(88.4)</b>	<b>(22.9)</b>	<b>50.7</b>	<b>(62.6)</b>	<b>(91.1)</b>	<b>(23.8)</b>	<b>52.3</b>
<b>FINANCING ACTIVITIES</b>	<b>(57.3)</b>	<b>(47.9)</b>	<b>(2.0)</b>	<b>(7.5)</b>	<b>(58.6)</b>	<b>(49.8)</b>	<b>(2.0)</b>	<b>(6.7)</b>	<b>(60.9)</b>	<b>(51.8)</b>	<b>(2.1)</b>	<b>(7.0)</b>
<b>NON CASH - FLOW ITEMS</b>	<b>122.1</b>	<b>60.0</b>	<b>22.4</b>	<b>39.7</b>	<b>116.9</b>	<b>63.0</b>	<b>12.2</b>	<b>41.7</b>	<b>122.7</b>	<b>66.1</b>	<b>12.9</b>	<b>43.7</b>
Depreciation	111.3	60.0	11.7	39.7	116.9	63.0	12.2	41.7	122.7	66.1	12.9	43.7
Bad Debt Written Off	0.0	-	-	0.0	-	-	-	-	-	-	-	-
<b>NET SHORTFALL/(SURPLUS)</b>	<b>16.1</b>	<b>(107.3)</b>	<b>(6.6)</b>	<b>130.0</b>	<b>(2.3)</b>	<b>(75.3)</b>	<b>(12.7)</b>	<b>85.7</b>	<b>(0.8)</b>	<b>(76.8)</b>	<b>(13.1)</b>	<b>89.0</b>
<b>ASSETS</b>	<b>276.9</b>	<b>188.4</b>	<b>19.0</b>	<b>69.5</b>	<b>138.5</b>	<b>94.2</b>	<b>9.5</b>	<b>34.7</b>	<b>69.2</b>	<b>47.1</b>	<b>4.7</b>	<b>17.4</b>

**Table 8: Armscor Group Statement of Financial Position: Three-Year Plan**

DETAILS	AMOUNT (Rm)			
	31 March 2022	31 March 2023	31 March 2024	31 March 2025
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
PROPERTY, PLANT AND EQUIPMENT	1 947.3	2 095.9	2 092.5	2 034.0
INTANGIBLE ASSETS	31.7	48.7	73.7	78.7
INVESTMENT IN JOINT VENTURE	0.1	0.1	0.1	0.1
FINANCIAL INSTRUMENTS	770.0	770.0	770.0	770.0
<b>CURRENT ASSETS</b>	<b>548.5</b>	<b>367.7</b>	<b>361.3</b>	<b>432.8</b>
Inventories	11.9	11.3	11.9	12.5
Trade and other receivables	107.9	113.9	120.1	126.7
Cash and short term deposits	428.7	242.6	229.3	293.6
Assets held for sale	0.0	0.0	0.0	0.0
<b>TOTAL ASSETS</b>	<b>3 297.6</b>	<b>3 282.5</b>	<b>3 297.6</b>	<b>3 315.6</b>
<b>EQUITY AND LIABILITIES</b>				
<b>CAPITAL AND RESERVES</b>				
ORDINARY SHARE CAPITAL	75.0	75.0	75.0	75.0
NON-DISTRIBUTABLE RESERVE	2 568.4	2 552.3	2 554.7	2 555.6
ORDINARY SHAREHOLDERS' INTEREST	2 643.4	2 627.3	2 629.7	2 630.6
<b>NON CURRENT LIABILITIES</b>	<b>343.4</b>	<b>364.6</b>	<b>390.0</b>	<b>417.7</b>
Employee benefit liability	328.5	354.8	383.2	413.8
Deferred income	14.9	9.9	6.9	3.9
<b>CURRENT LIABILITIES</b>	<b>310.9</b>	<b>290.5</b>	<b>277.8</b>	<b>267.3</b>
Trade and other payables and provisions	256.1	249.4	242.9	237.6
Deferred income	54.8	41.1	34.9	29.7
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 297.6</b>	<b>3 282.5</b>	<b>3 297.6</b>	<b>3 315.6</b>

**Table 9: Armscor Group Cash Flow Statement: Three-Year Plan for 2022/23 to 2023/24 Financial Years**

DESCRIPTION	31 March 2022 (12 months) Rm	31 March 2023 (12 months) Rm	31 March 2024 (12 months) Rm	31 March 2025 (12 months) Rm
<b>OPERATING ACTIVITIES</b>				
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	36.3	90.8	125.1	133.5
Cash receipts from customers	1750.3	1827.2	1878.1	1909.0
Cash paid to suppliers and employees	(1762.3)	(1793.7)	(1811.7)	(1836.4)
Cash generated from/(used in) operations	(12.0)	33.5	66.5	72.6
Net finance income	48.2	57.3	58.6	60.9
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant, equipment and intangible assets	(348.4)	(276.9)	(138.5)	(69.2)
Proceeds from sale of property, plant and equipment	0.0	0.0	0.0	0.0
<b>TOTAL CASH MOVEMENT FOR THE YEAR</b>	(382.2)	(186.1)	(13.4)	64.3
<b>CASH AT BEGINNING OF THE YEAR</b>	810.8	428.7	242.6	229.2
<b>TOTAL CASH AT END OF THE YEAR</b>	428.7	242.6	229.2	293.5

**1. Notes to the Armscor Group Cash Flow Statements**

DESCRIPTION	2022/03/31 (12 months) Rm	2023/03/31 (12 months) Rm	2024/03/31 (12 months) Rm	2025/03/31 (12 months) Rm
<b>1. CASH GENERATED FROM/(USED IN) OPERATIONS</b>				
(Loss)/Profit for the year	(55.5)	(16.1)	2.3	0.8
<b>Adjustments for:</b>				
Depreciation, amortisation and impairment reversals	100.4	111.3	116.9	122.7
Net finance income	(48.2)	(57.3)	(58.6)	(60.9)
Movement in employee benefit assets and liabilities	24.3	26.3	28.4	30.7
Operating surplus/(deficit) before working capital changes	21.0	64.2	89.0	93.3
<b>Changes in working capital:</b>	(32.9)	(30.7)	(22.5)	(20.7)
(Increase)/Decrease in trade and other receivables	(5.6)	(5.9)	(6.3)	(6.6)
Increase/(Decrease) in deferred income	(15.0)	(18.7)	(9.2)	(8.2)
(Increase) in inventories	2.1	0.6	(0.6)	(0.6)
Increase/(Decrease) in accounts payable and provisions	(14.4)	(6.7)	(6.5)	(5.2)
Cash generated by operations	(12.0)	33.5	66.5	72.6

**Table 10: Group Capital Expenditure for the 2022/23 Financial Year**

<b>TOTAL ARMSCOR GROUP</b>	<b>NEW BUDGET 2022/2023</b>	<b>CURRENT BUDGET 2021/2022</b>
OFFICE EQUIPMENT	9 156 982	1 834 420
COMPUTER EQUIPMENT	16 975 036	81 286 173
OFFICE FURNITURE	2 725 260	2 062 450
COMPUTER SOFTWARE	79 650 000	97 416 189
BUILDINGS AND INFRASTRUCT	125 898 000	133 205 090
MACHINERY AND EQUIPMENT	32 613 500	26 228 000
MOTOR VEHICLES	2 800 000	4 900 000
CAPITAL ASSETS	7 084 971	7 400 000
<b>Total</b>	<b>276 903 749</b>	<b>354 332 322</b>

Note: Capital expenditure budgeted for in 2022/23 financial year include items not executed in 2021/22 financial year.

**Armcor's Board of Directors  
Abridged Curriculum Vitae**

**Name:** **Dr PD Dexter - Chairperson**

Gender: Male

Race: White

Academic Qualifications: PhD  
MPhil  
BA

Areas of Expertise: Project Management  
Strategic Leadership  
Financial Management  
Research and Analysis  
Human Resources  
Change Management

Position on Armcor Board: Chairperson of the Board

Appointment Date: 1 December 2020

Positions on other Boards: South African Weather Service  
NEHAWU Investment Holdings  
Africa Energy Corporation  
Global Beef  
Freedom Property Fund  
One Vision Investment  
Emerald Panther Investment  
NIH Subsidiaries

**Name:** **Mr MS Motimele – Deputy Chairperson**

Gender: Male

Race: African

Academic Qualifications: Management Development Programme  
Certificate in Finance Management  
MBA

Areas of Expertise: Communication and Public Relations  
Labour Relations  
Intergovernmental Relations  
Legislative Experience  
Integrated Management System

Position on Armcor Board: Deputy Chairperson of the Board

Member of the Acquisition Committee  
Member of the Technology, Industry Support and Sustainability Committee  
Appointment Date: 27 March 2019  
Position on other Boards: MS Motimele Marketing and Consulting Pty (Ltd)  
AfriSteel Pty (Ltd)  
Direla Investments  
Bunang Food Security

**Name:** **Adv. SP Mbada - Chief Executive Officer**

Gender: Male

Race: African

Academic Qualifications: B Juris  
BA (Hons)

MAP

LLB

LLM

Areas of Expertise: Strategic Management  
Business Restructuring  
Mediation / Negotiation  
Training / Change Facilitation  
Mentorship  
HR Management  
IR Management  
Training Management

Appointment Date: 1 September 2009

Position on Executive Committee: Chief Executive Officer

Position on other Boards: Directorships: Armscor Defence Institutes (Pty) Ltd (*Dormant*)  
Erasmusrand Eiendomme (Pty) Ltd (*Dormant*)  
Sportrand (Pty) Ltd (*Dormant*)  
Oospark (Pty) Ltd (*Dormant*)

**Name:** **Mr JG Grobler**

Gender: Male

Race: White

Academic Qualifications: CA (SA)

MBL

MCom (Tax)

Areas of Expertise: Financial Management



Corporate Governance  
 Appointment Date: 1 July 1990  
 Positions on other Boards: Directorships: Armscor Defence Institutes (Pty) Ltd (*Dormant*)  
 Erasmusrand Eiendomme (Pty) Ltd (*Dormant*)  
 Sportrand (Pty) Ltd (*Dormant*)  
 Oospark (Pty) Ltd (*Dormant*)  
 Position on Executive Committee: Chief Financial Officer

**Name:** **Ambassador JT Ndhlovu**  
 Gender: Female  
 Race: African  
 Academic Qualifications: Bachelor of Arts Political Science  
 Bachelor of Science Public Administration  
 Master of Arts Counselling Psychology  
 Executive Leadership Training Programme  
 Middle Management Course  
 Heads of Mission Orientation Course  
 Areas of Expertise: Foreign Relations  
 Position on Armscor Board: Non-Executive Director of the Board  
 Member of the Human Resources, Social and Ethics Committee  
 Member of Technology, Industry Support and Sustainability Committee  
 Appointment Date: 1 May 2017 (re-appointed 1 December 2020)  
 Positions on other Boards: None

**Name:** **Dr RC Lubisi**  
 Gender: Male  
 Race: African  
 Academic Qualifications: Bachelor of Science  
 Higher Diploma in Education  
 Bachelor of Education  
 Doctor of Philosophy  
 Areas of Expertise: Project Management  
 Strategic Management  
 Position on Armscor Board: Non-Executive Director of the Board  
 Chairperson of the Technology, Industry Support and Sustainability Committee  
 Member of the Audit and Risk Committee  
 Appointment Date: 1 December 2020  
 Position on other Boards: Chairperson for Morar Incorporated  
 Maziwa Holdings

ThemoPharm

**Name:** **Ms R Matenche**  
Gender: Female  
Race: African  
Academic Qualifications: CA (SA)  
Bachelor of Accounting  
Areas of Expertise: Financial Management  
Taxation  
Auditing  
Strategy  
Gender Transformation  
Position on Armscor Board: Non-Executive Director of the Board  
Chairperson of the Audit and Risk Committee  
Member of the Human Resources, Social and Ethics Committee  
Appointment Date: 1 December 2020  
Positions on other Boards: South African Institute of Chartered Accountants (SAICA)  
Social Housing Regulatory Authority (SHRA)  
Commission for Gender Equality (CGE - Chairperson of Audit and Risk)

**Name:** **Maj Gen (ret) LC Pepani**  
Gender: Male  
Race: African  
Academic Qualifications: Diploma in Social Sciences  
Executive National Security Programme  
Certificate in Public Relations Management  
Executive Course in Peace Operations  
Areas of Expertise: Foreign Liaison  
Transformation  
High Level Negotiation and Facilitation  
Security and Political Analysis  
Security and Defence Management  
Position on Armscor Board: Non-Executive Director of the Board  
Member of the Human Resources, Social and Ethics Committee  
Member of the Acquisition Committee  
Appointment Date: 1 December 2020  
Positions on other Boards: None

**Name:** **Ms BF Skweyiya-Gushu**  
Gender: Female  
Race: African  
Academic Qualifications: Post Graduate Diploma

Areas of Expertise: Master's in International Political Communications  
Communications and Marketing  
Campaigning  
Research  
Project Management  
Media Relations  
Public Diplomacy

Position on Armscor Board: Non-Executive Director of the Board  
Member of the Audit and Risk Committee  
Member of the Technology, Industry Support and Sustainability Committee

Appointment Date: 1 December 2020

Positions on other Boards: 20 Media Incubation

**Name:** **Mr TM Sukazi**

Gender: Male

Race: African

Academic Qualifications: B. Proc.  
LLB  
LLM

Areas of Expertise: Corporate Governance and Regulatory  
Mergers and Acquisitions  
Corporate and Commercial Law  
Banking and Finance

Position on Armscor Board: Non-Executive Director of the Board  
Chairperson of the Acquisition Committee  
Member of the Audit and Risk Committee

Appointment Date: 1 December 2020

Positions on other Boards: Social Housing Regulatory Authority Council Member

**Name:** **Ms PN Mashinini**

Gender: Female

Race: African

Academic Qualifications: Post Graduate Diploma  
Diploma in Project Management  
Executive Management Development Programme  
Master's in Business Administration

Areas of Expertise: Corporate Services  
Strategy  
Human Resources  
Transformation  
Performance Management  
Operations Management

Position on Armscor Board: Non-Executive Director of the Board  
Chairperson of the Human Resources, Social and Ethics Committee  
Member of the Acquisition Committee

Appointment Date: 1 December 2020

Positions on other Boards: Thebe Investment Company

**Name:** **Ms FM Kumalo**

Gender: Female

Race: African

Academic Qualifications: MBA  
GradCSSA  
BCom

Areas of Expertise: Governance  
Strategy  
Human Resources

Appointment Date: 1 April 2016

Position on Armscor Board: Company Secretary

Positions on other Boards: None

**Armcor's Executive Committee**  
**Abridged Curriculum Vitae**

**Name:** Adv. SP Mbada - Chief Executive Officer

Gender: Male

Race: African

Academic Qualifications: B Juris  
 BA (Hons)  
 MAP  
 LLB  
 LLM

Areas of Expertise: Strategic Management  
 Business Restructuring  
 Mediation / Negotiation  
 Training / Change Facilitation  
 Mentorship  
 HR Management  
 IR Management  
 Training Management

Appointment Date: 1 September 2009

Position on Executive Committee: Chief Executive Officer

Position on Armcor Board: Executive Director of the Board

Positions on other Boards: Directorships: Armcor Defence Institutes (Pty) Ltd (*Dormant*)  
 Erasmusrand Eiendomme (Pty) Ltd (*Dormant*)  
 Sportrand (Pty) Ltd (*Dormant*)  
 Oospark (Pty) Ltd (*Dormant*)

**Name:** Mr JG Grobler

Gender: Male

Race: White

Academic Qualifications: CA (SA)  
 MBL  
 MCom (Tax)

Areas of Expertise: Financial Management  
 Corporate Governance

Appointment Date: 1 July 1990

Position on Armcor Board: Executive Director of the Board

Positions on other Boards: Directorships: Armscor Defence Institutes (Pty) Ltd (*Dormant*)  
Erasmusrand Eiendomme (Pty) Ltd (*Dormant*)  
Sportrand (Pty) Ltd (*Dormant*)  
Oospark (Pty) Ltd (*Dormant*)

Position on Executive Committee: Chief Financial Officer

**Name:** **Mr M Teffo**

Gender: Male

Race: African

Academic Qualifications: Bachelor of Law  
LLB  
Higher Diploma in Tax Law  
Master of Laws (LLM)

Areas of Expertise: Governance  
Legal/Risk and Compliance  
Strategic Leadership and Management

Appointment Date: 1 September 2003

Position on Executive Committee: Group Executive: Acquisition and SCM

**Name:** **Dr. NM Mkaza**

Gender: Male

Race: African

Academic Qualifications: BSc Education  
BSc (Hons)  
MSc Materials Science  
Post Graduate Diploma in Electrical Engineering  
PhD Nuclear Physics  
MBA

Areas of Expertise: Coaching  
Emotional Intelligence  
Strategic Leadership and Management  
Management in the Science and Technology Environment

Appointment Date: 1 June 2016

Position on Executive Committee: Group Executive: Research and Development

**Name:** Adv. NB Senne  
Gender: Male  
Race: African  
Academic Qualifications: B Juris  
LLB  
Bar Exam (Society of Advocates)  
Areas of Expertise: Governance  
Legal/Risk and Compliance  
Strategy  
Appointment Date: 1 May 2011  
Position on Executive Committee: Group Executive: Business Assurance

**Name:** Adv. N Mvambo  
Gender: Male  
Race: African  
Academic Qualifications: B Juris  
LLB  
Advanced Diploma in Project Management  
Management Advancement Programme (MAP)  
Areas of Expertise: Labour Relations Management  
HR Management  
Projects Management and Disputes Management  
Appointment Date: 1 January 2013  
Position on Executive Committee: Group Executive: Corporate Support

**Name:** Mr A Mothobela  
Gender: Male  
Race: African  
Academic Qualifications: Master's in Business Leadership  
BSc Engineering: Electrical  
Certificate in Project Management  
Executive National Security Programme (ENSP)  
Areas of Expertise: Strategic Management  
Engineering  
Business Development  
Appointment Date: 1 March 2001  
Position on Executive Committee: Acting Group Executive: Business Enablement

<b>Name:</b>	<b>Dr H Van Rensburg</b>
Gender:	Male
Race:	White
Academic Qualifications:	DBL MBL BSC (Hons) HDip Eng Mechanical
Areas of Expertise:	Operations Management Operations Research Strategic Management Manufacturing Engineering
Appointment Date:	1 April 1997
Position on Executive Committee:	Executive Manager: Dockyard



## ANNEXURE D

### ARMSCOR TECHNICAL INDICATOR DESCRIPTIONS FOR THE 2022/23 FINANCIAL YEAR

#### SERVICE LEVEL AGREEMENT

#### GOAL 1 (A1): CAT 1 CAPITAL DEFENCE MATÉRIEL ACQUISITION, EXCLUDING STRATEGIC DEFENCE ACQUISITION, INCLUDING TECHNOLOGY ACQUISITION

INDICATOR TITLE	1.1 PERCENTAGE OF DOD CAPITAL REQUIREMENTS CONVERTED INTO ORDERS PLACED
<b>DEFINITION</b>	The actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Reports: SLAR1.Report; SLAR1A.Report and SLAR1B.Report. AGSA report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	The total of column "Amount on Req (v1)" on report SLAR1B.Report: Client 60: Chief Acquisition is the total of the requirements received from the DOD.  The total of column "Amount on order (v1)" on report SLAR1B. Report: Client 60: Chief Acquisition is the total of the amount that was committed.  Divide the amount committed by the amount received for % achieved.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Reports: SLAR1.Report; SLAR1A.Report and SLAR1B.Report. AGSA report.
<b>ASSUMPTIONS</b>	To measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	95%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Acquisition and SCM.

<b>INDICATOR TITLE</b>	<b>1.2 EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED</b>
<b>DEFINITION</b>	The actual cash flow measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Reports: MXXR3B.Report; MXXR3C.Report and DXXR3A.Report. AGSA report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Add the "Total" of column "1st Revision Version 19" (reports MXXR3B. Report (projects) and MXXR3C. Report (SDP's)) together to get the planned cash flow for orders placed.  Add the total "Paid" (reports MXXR3B. Report (projects) and MXXR3C. Report (SDP's)) together to get the cash flow that realised.  Deduct the rollovers from the 1 <sup>st</sup> revision to get a new measurement.  Divide the cash flow that realised by the new measurement for % achieved.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Reports: MXXR3B.RPT; MXXR3C.RPT and DXXR3A.RPT AGSA report.
<b>ASSUMPTIONS</b>	Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	95%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Acquisition and SCM.

## **GOAL 2 (A1): SYSTEM SUPPORT ACQUISITION AND PROCUREMENT**

<b>INDICATOR TITLE</b>	<b>2.1 PERCENTAGE OF DOD SYSTEM SUPPORT AND PROCUREMENT REQUIREMENTS CONVERTED INTO ORDERS PLACED</b>
<b>DEFINITION</b>	The actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD. AGSA/ Internal Audit report.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Reports: SLAR1.Report; SLAR1A.Report and SLAR1B.Report
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Subtract the total of requirements received from the DOD in Goal 1 point 1.1 from the total of column "Amount on Req (v1)" (report SLAR1B.RPT 3A Requirements vs Commitments) to get the value of the requirements received from the DOD.  Subtract the total of funds committed in Goal 1 point 1.1 from the total of

<b>INDICATOR TITLE</b>	<b>2.1 PERCENTAGE OF DOD SYSTEM SUPPORT AND PROCUREMENT REQUIREMENTS CONVERTED INTO ORDERS PLACED</b>
	column "Amount on order (v1)" (report SLAR1B.RPT 3A Requirements vs Commitments) to get the amount committed.  Divide the amount committed by the amount received for % achieved.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Reports: MXXR3B.RPT; MXXR3C.RPT and DXXR3A.RPT. AGSA/Internal Audit report.
<b>ASSUMPTIONS</b>	To measure the actual commitment of funds against the formally planned value of commitments, this is based on requirements received and confirmed as valid requirements from the DOD.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	95%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Acquisition and SCM.

<b>INDICATOR TITLE</b>	<b>2.2 EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED</b>
<b>DEFINITION</b>	Actual cash flow measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Reports: SLAR1.RPT; SLAR1A.RPT and SLAR1B.RPT AGSA/Internal Audit report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Total of planned cash flow is in column "1st Revision Version 19" on report MXXR3D.Report.  Total of cash flow realised is in column "Paid" on report MXXR3D. Report.  Deduct the rollovers from the 1st revision to get a new measurement.  Divide the cash flow that realised by the new measurement for % achieved.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Reports: MXXR3D.RPT (point 1.2). AGSA/Internal Audit report.
<b>ASSUMPTIONS</b>	The actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.

<b>INDICATOR TITLE</b>	<b>2.2 EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED</b>
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	95%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Acquisition and SCM.

### **GOAL 3 (A1): SCHEDULE PLACEMENT**

<b>INDICATOR TITLE</b>	<b>AVERAGE TIME TAKEN TO CONVERT DOD REQUIREMENTS INTO ORDERS</b>
<b>DEFINITION</b>	Time taken from registration of requirement (3A) to placement of contract-excluding time required for FA approval.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Reports: SLAR1.RPT; SLAR1A.RPT and SLAR1B.RPT AGSA/Internal Audit report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Per category:  Add "Total days taken" e.g. 2880 days.  Add "Total orders" e.g. 20 orders.  Divide "orders" into "days taken" to get an average achievement.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Report: Armscor Requirement Summary Monitor Report. AGSA/Internal Audit report.
<b>ASSUMPTIONS</b>	The time taken from registration of requirement (3A) to placement of contract-excluding time required for FA approval.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	95 days for shortened process COTS items.  120 days for non-COTS and Product Support GDA procurement.  145 days for SDA acquisition programmes.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Acquisition and SCM.

### **GOAL 4 (A1): MANAGEMENT OF DEFENCE INDUSTRIAL PARTICIPATION**

<b>INDICATOR TITLE</b>	<b>VALUE OF DEFENCE INDUSTRIAL PARTICIPATION CREDITS TO BE GRANTED</b>
<b>DEFINITION</b>	The value of DIP credits to be granted to overseas suppliers.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Active Portfolio Summary Report. AGSA/Internal Audit report.

INDICATOR TITLE	VALUE OF DEFENCE INDUSTRIAL PARTICIPATION CREDITS TO BE GRANTED
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	On the report "Active Portfolio Summary Report 2022/23" under the heading "Running Active Agreements – Special Defence Account" add the total of column "achievement 2022/23" to the total (running SAPS Agreement) under the heading "Running active agreements - SAPS, or use the total under the heading "Total active portfolio (completed and running agreements" Achievement 2022/23 which gives the cumulative total [SDA and SAPS]).
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Active Portfolio Summary Report. AGSA/Internal Audit report.
<b>ASSUMPTIONS</b>	The value of DIP credits to be granted to overseas suppliers.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	R111,31m.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Acquisition and SCM.

**GOAL 5 (A2): MANAGEMENT AND EXECUTION OF DEFENCE TECHNOLOGY, RESEARCH, TEST AND EVALUATION AND IP MANAGEMENT REQUIREMENTS (STRATEGIC FACILITIES AND CAPABILITIES) OF THE DOD**

INDICATOR TITLE	PERCENTAGE OF EXECUTION OF TECHNOLOGY REQUIREMENTS
<b>DEFINITION</b>	R&D to achieve contractual milestones/deliveries as per agreed MoA and orders received for the financial year.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Group order covers report per Divisions/Business Units. AGSA/Internal Audit report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Quarterly Reporting:  Consolidated Actual Financial Performance divided by Consolidated Estimate Financial Performance.  Annual Reporting:  Consolidated Order Amount Invoiced (YTD) divided by Consolidated Orders Received.  Performance expressed as a percentage.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Group order covers report per Divisions/Business Units. AGSA/Internal Audit report.
<b>ASSUMPTIONS</b>	R&D to achieve contractual milestones/deliveries as per agreed MoA and orders received for the financial year.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.

<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	95%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Research and Development.

**GOAL 6 (A3): MANAGEMENT AND PERFORMANCE AGAINST DOCKYARD MANDATE (SOUTH AFRICAN NAVY/DOCKYARD PERFORMANCE MANAGEMENT IN TERMS OF SLA WITH THE SOUTH AFRICAN NAVY)**

<b>INDICATOR TITLE</b>	<b>6.1 PERCENTAGE OF PROJECT TASKING AND JOB CARDS EXECUTED</b>
	<b>6.1.1 Projects (Special projects/DED/Refit).</b> <b>6.1.2 Adhoc activities (daily jobs requests: AMP support, OPDEFS)</b>
<b>DEFINITION</b>	Adherence to project tasking as approved in the project plan & execution of the adhoc activities.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Signed performance management agreements by Project Manager, as well as Manager Technical Upkeep Section, SA Navy. AGSA/Internal Audit report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	The % performance is obtained by taking number of jobs completed divided by number of jobs allocated to the Dockyard for the reporting period on an accumulated basis and expressed as a percentage.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Signed performance management agreements by Project Manager, as well as Manager Technical Upkeep Section, SA Navy. AGSA/ Internal Audit report.
<b>ASSUMPTIONS</b>	Ensure adherence to project contractual milestone planned dates as approved in project plan.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	90%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Executive Manager: Dockyard.

<b>INDICATOR TITLE</b>	<b>6.2 PERCENTAGE OF COMPLIANCE TO PROJECT FINANCE</b>
<b>DEFINITION</b>	Management of project finances in accordance within approved financial authorities and cash-flow plan.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Report: DXXR12A.RPT. AGSA/Internal Audit report.
<b>METHOD OF</b>	The % performance is calculated by taking the actual spending divided by

<b>INDICATOR TITLE</b>	<b>6.2 PERCENTAGE OF COMPLIANCE TO PROJECT FINANCE</b>
<b>CALCULATION/ ASSESSMENT</b>	the allocated amount for the reporting period on a cumulative basis and expressed as a percentage.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Report: DXXR12A.RPT. AGSA/Internal Audit report.
<b>ASSUMPTIONS</b>	To manage project finances in accordance within approved financial authorities and cash-flow plan.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A..
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	90%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Executive Manager: Dockyard.

<b>INDICATOR TITLE</b>	<b>6.3 PERCENTAGE OF ANCILLARY SERVICES EXECUTED</b>
<b>DEFINITION</b>	Provision of ancillary services as defined by SA Navy (power generation station, air supply, water supply, crane support requirements, etc.) as per Dockyard funded business plan.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Flag Officer Command sign off on ancillary services delivered. AGSA/Internal Audit report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	The performance is calculated by expressing the requests completed to requests allocated as a percentage on a cumulative basis over the reporting period.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Flag Officer Command sign off on ancillary services delivered. AGSA/Internal Audit report.
<b>ASSUMPTIONS</b>	To provide the ancillary services as defined by SA Navy.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	95%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Executive Manager: Dockyard.

<b>INDICATOR TITLE</b>	<b>6.4 PERCENTAGE OF TRAINING REQUESTS EXECUTED</b>
<b>DEFINITION</b>	Training provided in accordance with the plan and requirements submitted by SA Navy during the reporting period.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Signed training schedules by Director Fleet, Human Resources, SA Navy

<b>INDICATOR TITLE</b>	<b>6.4 PERCENTAGE OF TRAINING REQUESTS EXECUTED</b>
	and Divisional Manager: Human Resources, Dockyard. AGSA/Internal Audit report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	The performance is calculated by expressing the requests completed to requests allocated as a percentage on a cumulative basis over the reporting period.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Signed training schedules by Director Fleet, Human Resources, SA Navy and Divisional Manager: Human Resources, Dockyard. AGSA/Internal Audit report.
<b>ASSUMPTIONS</b>	To provide 95% training in accordance with the plan and requirements submitted by SA Navy during the reporting period.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	90%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Executive Manager: Dockyard.

<b>INDICATOR TITLE</b>	<b>6.5 PERCENTAGE COMPLIANCE WITH QUARTERLY REPORT TIMELINES</b>
<b>DEFINITION</b>	Supply quarterly reports to Flag Officer Fleet that addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., as per reporting timeline schedule.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Signed "Acknowledgement of Receipt" by Flag Officer Fleet. AGSA/Internal Audit report
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Performance is calculated by taking the amount of reports delivered on time to the amount of reports required expressed as a percentage in a cumulative manner over the reporting period.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Signed "Acknowledgement of Receipt" by Flag Officer Fleet. AGSA/Internal Audit report.
<b>ASSUMPTIONS</b>	To supply the quarterly reports to Flag Officer Fleet that addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., as per reporting timeline schedule.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	100%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Executive Manager: Dockyard.



## STRATEGIC OUTPUT (A1): REVENUE GENERATION

INDICATOR TITLE	GROUP REVENUE (TRANSFER PAYMENT, OTHER INCOME, AND FINANCE INCOME)
<b>DEFINITION</b>	Increasing the net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the short-to-medium term.
<b>SOURCE OF DATA</b>	Armscor Financial Statements.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Addition of amounts reflected as transfer payment (including differed income), other income (including other income, dividend received and rental income) and finance income.
<b>MEANS OF VERIFICATION</b>	Financial statement showing a 5% reduction against each relevant financial year. AGSA.
<b>ASSUMPTIONS</b>	To generate additional income from existing and new sources.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	<ol style="list-style-type: none"> <li>1. Target for Women: N/A.</li> <li>2. Target for Youth: N/A.</li> <li>3. Target for People with Disabilities: N/A.</li> </ol>
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Quarterly.
<b>DESIRED PERFORMANCE</b>	R1 401,9m
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Chief Financial Officer.

<b>INDICATOR TITLE</b>	<b>REVENUE FROM EXISTING FACILITIES OF ARMSCOR R&amp;D</b>
<b>DEFINITION</b>	Realisable revenue from the existing facilities of Armscor R&D to ensure that Armscor meet its funding needs in the short-to-medium term.
<b>SOURCE OF DATA</b>	Armscor Financial Statement.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Score = Total of "consolidated order amount invoiced (YTD)" which is Service Level Agreement with dtic; Non-DOD Government Orders; Local Commercial Work; and Foreign Commercial Work.
<b>MEANS OF VERIFICATION</b>	Gross sales and Other Income for R&D.
<b>ASSUMPTIONS</b>	To generate additional income from existing facilities of Armscor R&D. AGSA.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Quarterly.
<b>DESIRED PERFORMANCE</b>	R206,5m
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Research and Development.

<b>INDICATOR TITLE</b>	<b>REVENUE GENERATED FROM THE BUSINESS ENABLEMENT BUSINESS UNIT</b>
<b>DEFINITION</b>	The generated revenue from Business Enablement Business Unit to ensure that Armscor meet its funding needs in the short-to-medium term.
<b>SOURCE OF DATA</b>	Armscor Financial Statement.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Add "Other Income" "Gross Contribution from Sales" and Logistics Division's specific allocation of transfer payment together.
<b>MEANS OF VERIFICATION</b>	Armscor Financial Statement. AGSA.
<b>ASSUMPTIONS</b>	The generated revenue from Business Enablement Business Unit.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Quarterly.
<b>DESIRED PERFORMANCE</b>	R31,4m.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Business Enablement.

## STRATEGIC OUTPUT (A1): COST MANAGEMENT

INDICATOR TITLE	IMPROVE NET FINANCIAL POSITION
<b>DEFINITION</b>	Strategic capability maintenance, "while reducing costs", to ensure that Armscor remains sustainable to meet its funding needs in the short-to-medium term.
<b>SOURCE OF DATA</b>	Statement of Financial Performance for the Armscor Group.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Surplus or deficit for the year.
<b>MEANS OF VERIFICATION</b>	Statement of Financial Performance for the Armscor Group. AGSA.
<b>ASSUMPTIONS</b>	To reduce Group costs, including finance, capital, and operating costs, to ensure zero financial deficit.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Quarterly.
<b>DESIRED PERFORMANCE</b>	R16,1m deficit
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Chief Financial Officer.

## STRATEGIC OUTPUT (A2): EFFICIENT AND EFFECTIVE DELIVERY

INDICATOR TITLE	DEVELOPMENT AND TEST SERVICES: • PERCENTAGE COMPLIANCE WITH TECHNOLOGY DEVELOPMENT MASTER PLAN, IN ACCORDANCE WITH SLA BETWEEN ARMSCOR AND DOD
<b>DEFINITION</b>	The percentage of compliance in line with Technology Development Master Plan according to the SLA between Armscor and DOD.
<b>SOURCE OF DATA</b>	Report DXXR7A. RPT: Financial providing 90% compliance in accordance with SLA between DOD and Armscor.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Actual value committed divided by the planned value to be committed. Performance expressed as a percentage.
<b>MEANS OF VERIFICATION</b>	Report DXXR7A. RPT: Financial providing 90% compliance in accordance with SLA between DOD and Armscor. Internal Audit.
<b>ASSUMPTIONS</b>	To participate and execute the technology development Master Plan, conduct research to sustain and grow defence technology base, maintain and sustain strategic test capabilities.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION</b>	N/A.

<b>INDICATOR TITLE</b>	<b>DEVELOPMENT AND TEST SERVICES: • PERCENTAGE COMPLIANCE WITH TECHNOLOGY DEVELOPMENT MASTER PLAN, IN ACCORDANCE WITH SLA BETWEEN ARMSCOR AND DOD</b>
<b>(WHERE APPLICABLE)</b>	
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Quarterly.
<b>DESIRED PERFORMANCE</b>	90%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Research and Development.

<b>INDICATOR TITLE</b>	<b>COMPLETION OF IP REQUESTS IN TERMS OF ARMSCOR PROCESS</b>
<b>DEFINITION</b>	A total percentage of all IP-requests completed in terms of Armscor process.
<b>SOURCE OF DATA</b>	Proof of all requests received and the process/approval of IP related technologies.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Number of IP related technologies processed, divided by number of requests received.
<b>MEANS OF VERIFICATION</b>	Proof of all requests received and the process/approval of IP related technologies. Internal Audit.
<b>ASSUMPTIONS</b>	Effective management of IP-related technologies.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Quarterly.
<b>DESIRED PERFORMANCE</b>	80%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Research and Development.

<b>INDICATOR TITLE</b>	<b>MAINTAIN A COMPLETE AND COMPREHENSIVE IP REGISTER, WHICH ENSURES THE MAINTENANCE OF AN UNQUALIFIED AUDIT OPINION, IN RESPECT OF ARMSCOR AND DOD INTANGIBLE CAPITAL ASSETS UNDER ARMSCOR'S MANAGEMENT</b>
<b>DEFINITION</b>	Maintenance of complete and comprehensive IP register.
<b>SOURCE OF DATA</b>	Proof of IP register and Audit findings before 31 March 2022.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Letter confirming that an unqualified/qualified audit opinion was obtained.
<b>MEANS OF VERIFICATION</b>	Proof of all requests received and the process/approval of IP related technologies. AGSA.
<b>ASSUMPTIONS</b>	Effective management of IP-related technologies
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.

<b>INDICATOR TITLE</b>	<b>MAINTAIN A COMPLETE AND COMPREHENSIVE IP REGISTER, WHICH ENSURES THE MAINTENANCE OF AN UNQUALIFIED AUDIT OPINION, IN RESPECT OF ARMSCOR AND DOD INTANGIBLE CAPITAL ASSETS UNDER ARMSCOR'S MANAGEMENT</b>
<b>CALCULATION TYPE</b>	Non-Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	31 March 2023.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Research and Development.

<b>INDICATOR TITLE</b>	<b>COMMERCIALISE ONE IP TECHNOLOGY</b>
<b>DEFINITION</b>	One IP technology commercialised per financial year.
<b>SOURCE OF DATA</b>	Proof of IP Register.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Number of IP technology commercialised.
<b>MEANS OF VERIFICATION</b>	Proof of all IP technologies commercialised. AGSA.
<b>ASSUMPTIONS</b>	Effective management of IP-related technologies.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	31 March 2023.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Research and Development.

<b>INDICATOR TITLE</b>	<b>RENEW APPLICATION SYSTEMS TO IMPROVE EFFECTIVENESS AND EFFICIENCY:</b> <ul style="list-style-type: none"> <li><b>APPOINT AN ENTERPRISE RESOURCE PLANNING (ERP) SERVICE PROVIDER.</b></li> </ul>
<b>DEFINITION</b>	The appointment of a service provider through SCM process to provide the ERP related amenities.
<b>SOURCE OF DATA</b>	Appointment contract issued to the ERP service provider.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	ERP service provider appointed by 31 March 2023.
<b>MEANS OF VERIFICATION</b>	Proof of the contract awarded to the ERP service provider. Internal Audit
<b>ASSUMPTIONS</b>	Renewal of application systems to improve efficiency and effectiveness.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	31 March 2023.
<b>INDICATOR</b>	Chief Executive Officer.

<b>RESPONSIBILITY</b>	Group Executive: Corporate Support.
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<b>INDICATOR TITLE</b>	<b>IMPLEMENTATION OF THE APPROVED APPLICATION SYSTEM RENEWAL PLAN</b>
<b>DEFINITION</b>	The total percentage of approved application system renewal plan implemented.
<b>SOURCE OF DATA</b>	The approved application system renewal plan.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Total of completed actions divided by total of planned actions=%.
<b>MEANS OF VERIFICATION</b>	The approved application system renewal plan. Internal Audit.
<b>ASSUMPTIONS</b>	Renew application system to improve effectiveness and efficiency.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Non-Cumulative.
<b>REPORTING CYCLE</b>	Quarterly.
<b>DESIRED PERFORMANCE</b>	80%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>IMPLEMENT IT INFRASTRUCTURE RENEWAL IN LINE WITH BUSINESS CONTINUITY PLAN IN TIMES OF CRISES</b>
<b>DEFINITION</b>	Measuring the implementation of the IT in infrastructure renewal in line with the Business Continuity plan.
<b>SOURCE OF DATA</b>	IT infrastructure renewal implemented.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	IT infrastructure renewal implemented in line with Business Continuity Plan by 31 March 2023.
<b>MEANS OF VERIFICATION</b>	Proof of all IT infrastructure renewal implemented. Internal Audit.
<b>ASSUMPTIONS</b>	Effective implementation of IT infrastructure renewal.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	31 March 2023.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>IMPROVE INFORMATION SECURITY:</b> <ul style="list-style-type: none"> <li><b>80% IMPLEMENTATION OF THE ANNUALLY APPROVED CYBERSECURITY CAPABILITY IMPLEMENTATION PLAN</b></li> </ul>
<b>DEFINITION</b>	Measuring the improvement of the information security in Armscor through the implementation of the approved security architecture plan.
<b>SOURCE OF DATA</b>	The approved security architecture plan.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	80% Implementation of the approved security architecture plan by 31 March 2023.
<b>MEANS OF VERIFICATION</b>	The approved security architecture plan. Internal Audit.
<b>ASSUMPTIONS</b>	To improve information security.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Quarterly.
<b>DESIRED PERFORMANCE</b>	31 March 2023.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.



## STRATEGIC OUTPUT (A2): STAKEHOLDER MANAGEMENT

INDICATOR TITLE	STAKEHOLDER SURVEY (CONDUCTED EVERY SECOND YEAR)
<b>DEFINITION</b>	Improvement of long-lasting strategic relationships with external stakeholders of Armscor.
<b>SOURCE OF DATA</b>	Stakeholder survey results.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Stakeholder survey results to reflect 1% improvement from 2020/21.
<b>MEANS OF VERIFICATION</b>	Employee engagement survey results. Internal Audit.
<b>ASSUMPTIONS</b>	Developing and maintaining long-lasting, strategic relationships with external stakeholders.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Non-Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	1% improvement.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>EMPLOYEE ENGAGEMENT SURVEY (CONDUCTED EVERY THIRD YEAR): % IMPLEMENTATION OF IDENTIFIED INTERVENTIONS BASED ON 2020/21 SURVEY</b>
<b>DEFINITION</b>	Improvement of long-lasting strategic relationships with internal stakeholders of Armscor and determining the baseline going forward.
<b>SOURCE OF DATA</b>	Employee engagement survey results.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Score = Add up final scores of all categories and divide by total of categories to get an overall average. Divide overall average by objective to get overall average percentage.
<b>MEANS OF VERIFICATION</b>	Employee engagement survey results. Internal Audit.
<b>ASSUMPTIONS</b>	Developing and maintaining long-lasting, strategic relationships with internal stakeholders.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A 2. Target for Youth: N/A 3. Target for People with Disabilities: N/A
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Non-Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	60%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>ACHIEVEMENT OF APPROVED EMPLOYMENT EQUITY PLAN THAT IS DIRECTED TOWARDS: • INCREASING BLACK REPRESENTATION.</b>
<b>DEFINITION</b>	Monitor the increase in black representation in line with the approved Employment Equity Plan of Armscor.
<b>SOURCE OF DATA</b>	Staff profile for permanent employees report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Actual achieved divided by goal = % achieved.
<b>MEANS OF VERIFICATION</b>	Human Capital profile for permanent employees report. Internal Audit.
<b>ASSUMPTIONS</b>	Transformation of the Corporation, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armscor Employment Equity Plan.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION</b>	N/A.

<b>(WHERE APPLICABLE)</b>	
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	83%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>ACHIEVEMENT OF APPROVED EMPLOYMENT EQUITY PLAN THAT IS DIRECTED TOWARDS:</b>
	<ul style="list-style-type: none"> <li><b>IMPROVING FEMALE REPRESENTATION.</b></li> </ul>
<b>DEFINITION</b>	Monitor and manage the improvement of female representation in line with the approved Employment Equity Plan.
<b>SOURCE OF DATA</b>	Staff profile for permanent employees report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Actual achieved divided by goal = % achieved.
<b>MEANS OF VERIFICATION</b>	Human Capital profile for permanent employees report. Internal Audit.
<b>ASSUMPTIONS</b>	Transformation of the Corporation, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armscor Employment Equity Plan.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: 40% female employees. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	40%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>CONTROLLABLE STAFF TURNOVER IN TECHNICAL POSITIONS, EXCLUDING RETIREMENTS (LESS THAN OR EQUAL TO 4%)</b>
<b>DEFINITION</b>	Monitor the incoming controllable staff in technical positions by excluding the retirements in a margin of less than or equal to 4%.
<b>SOURCE OF DATA</b>	Human resource report: resignations in technical categories.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Total resignations divided by total technical positions x12 / 12x100.
<b>MEANS OF VERIFICATION</b>	Human resource report: resignations in technical categories. Internal Audit.
<b>ASSUMPTIONS</b>	To monitor and ensure retention of controllable staff turnover in technical positions with the exclusion of resignations.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.

<b>INDICATOR TITLE</b>	<b>CONTROLLABLE STAFF TURNOVER IN TECHNICAL POSITIONS, EXCLUDING RETIREMENTS (LESS THAN OR EQUAL TO 4%)</b>
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	<4%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>SKILLS DEVELOPMENT PROGRAMME: • PROVISION OF BURSARIES FOR FULL-TIME STUDIES (CUMULATIVE NUMBER)</b>
<b>DEFINITION</b>	Monitor and manage the skills development programme through providing the number of bursaries to the number of students studying full-time.
<b>SOURCE OF DATA</b>	Detailed Armscor bursary holders list.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Actual student numbers divided by goal = % achieved.
<b>MEANS OF VERIFICATION</b>	Detailed Armscor bursary holders list. Internal Audit.
<b>ASSUMPTIONS</b>	To provide bursaries to the number of full-time students with an aim to ensure skills development.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: 23 bursaries issued. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	23.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>SKILLS DEVELOPMENT PROGRAMME: • CONTRACTING AND DEVELOPMENT OF GRADUATE AS INTERNS, I.E. TALENT DEVELOPMENT PROGRAMME (CUMULATIVE NUMBER)</b>
<b>DEFINITION</b>	Monitor and manage the skills development programme through providing the appointment and development of employees in the talent development programme.
<b>SOURCE OF DATA</b>	Detailed Armscor talent and development candidate list.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Actual number of employees on Talent Development Programme divided by goal equals to percentage achieved.
<b>MEANS OF VERIFICATION</b>	Detailed Armscor talent and development candidate list. Internal Audit.
<b>ASSUMPTIONS</b>	To develop graduates through the skills development programme by appointing them in the Talent Development Programme.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: 30 TDPs employed per year. 3. Target for People with Disabilities: N/A.

<b>INDICATOR TITLE</b>	<b>SKILLS DEVELOPMENT PROGRAMME:</b> • <b>CONTRACTING AND DEVELOPMENT OF GRADUATE AS INTERNS, I.E. TALENT DEVELOPMENT PROGRAMME (CUMULATIVE NUMBER)</b>
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	30.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>SUCCESSION PLANNING DEVELOPMENT:</b> • <b>PERCENTAGE COMPLIANCE WITH SUCCESSION PLANNING DEVELOPMENT (KEY IDENTIFIED POSITIONS)</b>
<b>DEFINITION</b>	Ensure and monitor compliance of succession planning process in Armscor through developing and mentoring potential successors identified.
<b>SOURCE OF DATA</b>	Memo reflecting overall performance signed by Manager: Performance & Succession Planning; supported by Executive Manager: Human Resource.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Development rating divided by total successors.
<b>MEANS OF VERIFICATION</b>	Memo reflecting overall performance signed by Manager: Performance & Succession Planning; supported by Executive Manager: Human Resource. Internal Audit.
<b>ASSUMPTIONS</b>	To ensure critical business continuity functions through the development of successors and talent management process.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	80%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>TOTAL NUMBER OF PEOPLE WITH DISABILITIES</b>
<b>DEFINITION</b>	To monitor the number of employees with disabilities employed by Armscor during the period under review.
<b>SOURCE OF DATA</b>	Detailed Armscor list of employees with disabilities.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Number of people with disabilities.
<b>MEANS OF VERIFICATION</b>	Detailed Armscor list of employees with disabilities. Internal Audit.
<b>ASSUMPTIONS</b>	To ensure transformation of the Corporation through employing people

INDICATOR TITLE	TOTAL NUMBER OF PEOPLE WITH DISABILITIES
	with disabilities, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armscor Employment Equity Plan.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: 28 people with disabilities.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	28.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer. Group Executive: Corporate Support.

## ANNEXURE E

**Table 11: AMENDMENT TO THE PERFORMANCE INDICATORS THAT ARE REFLECTED IN THE ARMSCOR CORPORATE PLAN 2021 TO 2024 FINANCIAL YEARS**

Serial No.	Location of Amendment	Performance Indicator as reflected in Armscor Corporate Plan 2021 – 2024	Amendment as reflected in Armscor Corporate Plan for 2021	Remarks	Location of amendment
1.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2021 – 2024.	Stakeholder Satisfaction Improvement Survey (conducted every second year).	Stakeholder Satisfaction Improvement Survey (conducted every second year).	The performance indicator is revised to read "Stakeholder Survey (conducted every second year)" according to the audit report.	Table 4: The Armscor's Strategic Outputs in Armscor's Corporate Plan 2021 – 2024.
2.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2021 – 2024.	<ul style="list-style-type: none"> <li>Conduct integrated employee engagement survey and determine new baseline (2020).</li> </ul>	<ul style="list-style-type: none"> <li>Conduct integrated employee engagement survey and determine new baseline (2020).</li> </ul>	<p>The performance indicator is revised to read "Employee engagement survey (conducted every third year):</p> <p>% implementation of identified interventions based on 2020/21 survey" according to the audit report.</p>	Table 4: The Armscor's Strategic Outputs in Armscor's Corporate Plan 2021 – 2024.
3.	Table 4: The Four Strategic Outputs in Armscor's	<p>Skills Development Programme:</p> <ul style="list-style-type: none"> <li>Provision of bursaries for</li> </ul>	<p>Skills Development Programme:</p> <ul style="list-style-type: none"> <li>Provision of bursaries for</li> </ul>	The performance indicator is revised to read "Provision of	Table 4: The Armscor's Strategic Outputs in Armscor's Corporate

	Corporate Plan 2021 – 2024.	full-time studies (number).	full-time studies (number).	bursaries for full-time studies (cumulative number)” according to the audit report.	Plan 2021 – 2024.
4.	Table 4: The Four Strategic Outputs in Armscor’s Corporate Plan 2021 – 2024.	<p>Skills Development Programme:</p> <ul style="list-style-type: none"> <li>Contracting and development of graduate as interns (Talent Development Programme) (number of employees in programme).</li> </ul>	<p>Skills Development Programme:</p> <ul style="list-style-type: none"> <li>Contracting and development of graduate as interns (Talent Development Programme) (number of employees in programme).</li> </ul>	The performance indicator is revised to read “Contracting and development of graduate as interns, i.e. Talent Development Programme (cumulative number)” according to the audit report.	Table 4: The Armscor’s Strategic Outputs in Armscor’s Corporate Plan 2021 – 2024.
5.	Table 3: Armscor’s Service Delivery Indicators Armscor’s Corporate Plan 2021 – 2024.	<p>Percentage of contractual milestones executed.</p> <p>(Adherence to project contractual milestones planned dates as approved in project plan).</p>	<p>Percentage of contractual milestones executed.</p> <p>(Adherence to project contractual milestones planned dates as approved in project plan).</p>	<p>The performance indicator is revised to read,</p> <p>Percentage of project tasking and job cards executed.</p> <p>(Adherence to project tasking as approved in the project plan &amp; execution of the adhoc activities).</p> <ul style="list-style-type: none"> <li>Projects (Special projects/DED/Refit.</li> <li>Adhoc activities (daily jobs requests: AMP support, OPDEFS).”</li> </ul>	Table 4: The Armscor’s Strategic Outputs in Armscor’s Corporate Plan 2021 – 2024.



				according to the audit report.	
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## GLOSSARY

<b>Armcor</b>	Armaments Corporation of South Africa SOC (Ltd)	<b>MoA</b>	Memorandum of Agreement
<b>AGSA</b>	Auditor-General South Africa	<b>MTSF</b>	Medium-Term Strategic Framework
<b>AU</b>	African Union	<b>MTEF</b>	Medium Term Expenditure Framework
<b>AMD</b>	Aerospace Maritime and Defence Industries Association	<b>MRO</b>	Maintenance, Repair and Overhaul
<b>AMP</b>	Assisted Maintenance Period		
<b>APPs</b>	Annual Performance Plans		
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>NCACC</b>	National Conventional Armaments Control Committee
		<b>NDP</b>	National Development Plan, Vision 2030
		<b>NDIC</b>	National Defence Industry Council
		<b>NGP</b>	National Growth Path
		<b>No.</b>	Number
<b>CEO</b>	Chief Executive Officer	<b>OPDEF</b>	Operational Defect
<b>COTS</b>	Commercial off-the-shelf	<b>PFMA</b>	Public Finance Management Act (Act No. 1 of 1999)
		<b>PPGI</b>	Public-Private Growth Initiative
<b>COVID-19</b>	Coronavirus Disease 2019	<b>R&amp;D</b>	Research and Development
<b>DDSI</b>	Defence Decision Support Institute	<b>Ret.</b>	Retired
<b>DED</b>	Docking and Essential Defects	<b>RFB</b>	Request for Bid
<b>DIF</b>	Defence industry Fund	<b>RISDP</b>	Regional Indicative Strategic Development Plan
<b>DIP</b>	Defence Industrial Participation	<b>RSA</b>	Republic of South Africa
<b>DOD</b>	Department of Defence	<b>SA</b>	South Africa
<b>DMD</b>	Defence Matériel Division	<b>SADC</b>	Southern African Development Community
<b>DOD APP</b>	Department of Defence: Annual Performance Plan	<b>SADI</b>	South African Defence Industry
		<b>SAMHS</b>	South African Military Health Services
		<b>SAPS</b>	South African Police Services
<b>DPME</b>	Department of Planning, Monitoring and Evaluation	<b>SANDF</b>	South African National Defence Force
<b>DPWI</b>	Department of Public Works and Infrastructure	<b>SCM</b>	Supply Chain Management
<b>DR</b>	Defence Review	<b>SDA</b>	Special Defence Account
<b>DRP</b>	Disaster Recovery Plan	<b>SDG</b>	Sustainable Development Goal
<b>DSCC</b>	Defence Sector Charter Council	<b>SDIP</b>	Service Delivery Improvement Plan
<b>dtic</b>	Department of Trade, Industry and Competition	<b>SDP</b>	Strategic Defence Packages
		<b>SIU</b>	Special Investigating Unit
		<b>SLA</b>	Service Level Agreement
		<b>SME</b>	Small-and-Medium Enterprises
		<b>SMMEs</b>	Small, Medium, and Micro-sized Enterprises
<b>EE</b>	Employment Equity	<b>SOC</b>	State Owned Company
<b>ERP</b>	Enterprise Resource Planning		
<b>ESD</b>	Enterprise Supplier Development		
<b>Excl.</b>	Excluding		
<b>EXCO</b>	Executive Committee		
<b>Etc.</b>	Et cetera		
<b>FA</b>	Financial Authority	<b>SONA</b>	State of the Nation Address
<b>Flamengro</b>	Fluid and Mechanical Engineering Group		
<b>FOSAD</b>	Forum of South African Directors-General	<b>SPs</b>	Strategic Plans
<b>GDA</b>	General Defence Accounts	<b>TDPs</b>	Talent Development Programmes
		<b>T&amp;E</b>	Test and Evaluation

<b>HR HQ</b>	Human Resources Head Office		<b>UN</b>	United Nations
<b>IP i.e</b>	Intellectual Property id est		<b>YTD</b>	Year to date
<b>ICT</b>	Information and Communication Technology			
<b>ISO SHE  IT ITSCM</b>	International Organisation for Standardisation Safety Health and Environment  Information Technology Information Technology Service Continuity Management			
<b>IMT</b>	Institute for Maritime Technology			
<b>JCPS</b>	Justice Crime Prevention and Security			