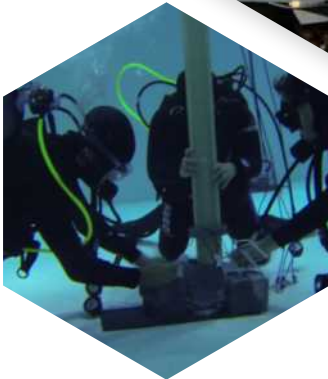




**ARMSCOR**  
Armaments Corporation of South Africa SOC Ltd



# CORPORATE PLAN

# 2024

GATEWAY TO DEFENCE SOLUTIONS

# ARMSCOR'S CORPORATE PLAN 2024

“Gateway to Defence Solutions”

Date of Tabling: 14 March 2024

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# FOREWORD

BY THE MINISTER OF DEFENCE AND MILITARY VETERANS

**Ms T.R. MODISE**

I am pleased to present to the National Assembly Armscor's Corporate Plan 2024.

The Corporate Plan 2024 is prepared with the recognition that, the year 2024 marks the end of the Medium Term Strategic Framework (MTSF) 2019 – 2024. However, the Corporate Plan 2024 will continue to be guided by the goals and objectives of the National Development Plan (NDP) as a developmental vision of the country.

The MTSF constitutes the NDP 5 Year Implementation Plan and is guided by the Electoral mandate and priorities. In order to implement these priorities successfully, the government has further identified areas, which are critical enablers to the implementation of these priorities. The NDP emphasises the need to build a capable, ethical and developmental state and calls for sustained citizen/government engagement.

The Corporate Plan is premised on key government medium-term priorities that are informed by the NDP and the New Growth Path, and is presented at a critical moment in South Africa's democratic dispensation. It is the beginning of a new five-year administrative cycle.

The South African National Defence Force (SANDF) will remain committed to execute our Constitutional mandate with a high level of discipline, commitment, professionalism and dedication. It is within the defence mandate that the role of defence will find expression in support of the MTSF Pillars and Priorities of government and support to the national security architecture of the RSA at domestic, regional and continental dimensions. Armscor's role is embedded in its mandate. Armscor operates within the constitutional and legislative framework, as one of the critical elements of the defence and security establishment.

Armscor will focus extensively on extending the life-span of existing equipment that are key in highly probable operations, including by enhancing it with relatively mature commercial technologies in the so-called spin-in approach. Armscor has the responsibility to build the Maintenance, Repair and Overhaul Capability to support the SANDF.

The Armscor Corporate Plan for 2024 outlines the strategic vision, objectives and targets that Armscor has identified to fulfil its mandate. In this regard, Armscor's Corporate Plan is premised in the context of Armscor's capacity to support the overall thrust of the NDP Vision 2030, the MTSF and the State of the Nation Address (SONA) pronouncements. It captures the key performance outputs, outcomes, and impact of Armscor during the 2024/25 financial year. As a public entity, Armscor remains critical for government to realise the NDP Vision 2030.

Armscor continues to face the challenge of sufficient funding to ensure the effective execution of its mandate, as the current funding model does not enable a sustainable situation over the medium term. It is undeniable that SA investment in Research and Development (R&D) has been constrained in recent years. However, Armscor demonstrated through its innovative outputs that investment in R&D is critical for our country's overall development and prosperity.

It is within the context of a constrained fiscal environment, that a review and analysis of the national Defence Policy on defence, the SA Defence Review 2015, will be reviewed, to provide a realistic and sustainable future-orientated defence value proposition, cognisant of current fiscal realities, that delivers against a constitutional mandate of Defence, SA's national interests and Government's priorities and risk-appetite.

The National Defence Industry Council (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 growth and ensure transformation in the industry so it is reflective of South African demographics.

The Defence Sector Charter is one outcome of the NDIC. It was created to address challenges facing the South African Defence Industry (SADI), including limited economic growth and markets as well as the reduced defence budget. The Defence Sector Charter Council (DSCC) is a representative body comprising stakeholders in the SADI. The existence of the Sector Council will expedite transformation and revitalisation of the SADI.

A special thank you to the Board, and in particular those who have served two terms.

Thank you to the Executive leadership and staff of Armscor for their continued support and diligently providing services to the public service.

As Minister of Defence and Military Veterans, I endorse the Armscor Corporate Plan 2024.



**Ms T.R. MODISE**  
**MINISTER OF DEFENCE AND MILITARY VETERANS, MP**  
**Date: 28 February 2024**



# FOREWORD

BY THE CHAIRPERSON

**Dr. P.D. DEXTER**

## Strategy & Purposes

The Corporate Plan provides Armscor with an opportunity of re-purposing and re-aligning its strategic objectives and outcomes to the South African National Defence Force's Long-Term Plan which has been themed the SANDF's "Journey to Greatness". A strategic interaction between the SANDF and Armscor in November 2023 has ensured that, within the board and management of Armscor, a commitment by Armscor to continue to be a strategic partner and "companion" with the SANDF on its journey to greatness. The transformative ideals and aspirations set by the SANDF for Armscor in its Long-Term Plan, which are anchored on the SANDF's ability to maintain, repair and overhaul its own systems. These formidable but achievable tasks can only be achieved by the agile, swift and effective acquisition role that Armscor aspires to play within the defence industry.

## Research & Development

The underbelly of any progressive, relevant and agile procurement agency such as Armscor is, is the quality and agility of its research and development capability in ensuring that it supports the company to remain on the cutting edge of the industry. Armscor's strategy is grounded on progressive research, development and the exploitation of intellectual property for the benefit of the SANDF and the maintenance of sovereign capabilities of the country. The issue of the declining funding allocation for the SANDF remains a key challenge but it has propelled Armscor to be innovative and aggressive in respect of research and development and, the initiative towards such, is embodied in this Corporate Plan.

## Strategic Partnerships & Collaboration

A strong partnership must exist between Armscor and Denel primarily and other industry players, for the effective discharge of Armscor's statutory mandate in its responsibility to the SANDF. The challenges that continue to mar the completion of major projects must find resolution in seeking alternative effective avenues, to ensure delivery of products and services, in the interests of the land, air and maritime defence sector.

Armscor will continue to pursue and maintain strategic partnerships and collaboration with local and international counterparts and companies in furtherance of implementation of strategies for 2024/25 financial year. The global conferences and exhibitions remain one of the windows through which Armscor monitors developments in the industry. We have remained resolute in pursuing business and strategic partnerships in an effort of catapulting, not only our research and development strategies, but to also support our revenue diversification strategy.

## Systems & Processes

The integral part that information technology plays in systems and processes has seen government and businesses experiencing a rise in cyber-attacks. Armscor remains committed to ensuring that its systems and processes are protected in line with mandatory security standards. Progress has been made by Armscor in respect of procuring and implementing an Enterprise Resource Planning system. Our plans for this financial year are to ensure that the project is finalised, tested and deployed.

## Human Capital

The Board supports management's strategy of ensuring that scarce skills within Armscor are acquired and retained through the retention strategy. Whilst Armscor's average staff profile is in the mid-forties, the Board also supports management's strategy that is geared towards balancing an older and a younger staff profile. Armscor staff remains one of our most important assets.

## Political Oversight

The Board, management and employees of Armscor remain grateful for the unwavering support and guidance that is continuously received from the Minister of Defence and Military Veterans and the members of the Parliamentary Portfolio Committee on Defence and Military Veterans.

**Accounting Authority**

The Board of Armscor approved the FY2024/25 Corporate Plan and undertakes to play its oversight role to ensure the implementation of strategies and outputs contained in this plan.

**Management & employees of Armscor**

The Board pledges its support to the management and employees of Armscor who continue diligently and with much pride, to protect and uplift the brand of Armscor through their commitment and sense of responsibility.

**Conclusion**

With the global uncertainties of our time and arising from these, the opportunities for the defence industry, Armscor must be at the forefront of providing the SANDF with all it needs and to ensure that the industry develops. It will do that.



**Dr. P.D. DEXTER**  
**CHAIRPERSON: BOARD OF DIRECTORS**  
**Date: 28 February 2024**





# FOREWORD

BY THE CHIEF EXECUTIVE OFFICER

**Adv. S.P. MBADA**

The Armscor Corporate Plan supports the national imperatives that inform the foreseeable future government strategic agenda. These include the National Development Plan Vision 2030, Medium-Term Strategic Framework 2019 - 2024, New Growth Plan, Industrial Policy Action Plan and Forum for South African Directors-General Action Plan.

This Corporate Plan is a roadmap towards realising the Armscor's three year outlook and maps the journey for the future as outlined in the strategy. In line with the Strategy, Armscor's vision is to be the strategic partner of choice for defence and security solutions. In this regard Armscor aims to – effectively, efficiently and economically – meet the defence matériel, defence technology, research, development, analysis, tests and evaluation requirements of the Department of Defence (DOD) and any other organ of state on request, or of any sovereign state on agreement. Armscor may exploit such commercial opportunities as may arise out of the Corporation's duty to acquire defence matériel or to manage technology projects, all as approved by the Minister of Defence and Military Veterans. To that end, Armscor has extended its services [beyond its primary client, the SANDF] to other state security entities to bring about synergies, standardisation and benefits of economies of scale which such entities may not acquire on an individual basis. Armscor has also ventured into technology development partnerships so as to maximise and cost benefits whilst delivering solutions quicker and much cheaper.

As mandated, it is essential that Armscor re-aligns itself in order to ensure that all stakeholder needs are satisfied. This includes support to the South African Defence Industry (SADI), as Armscor and the DOD are reliant on Industry for the execution of Armscor's acquisition mandate.

One of Armscor's challenges is the legacy systems that are not inter-operable and fragmented. Some of these legacy systems are core to Armscor's business operations and the support skills are no longer readily available as they are based on the Mainframe technology. Armscor embarked on a process to acquire and implement an ERP solution with the aim of automating, integrating and standardizing business processes across the Corporation. This will ensure effective business operations. A service provider for the Enterprise Resource Planning (ERP) has been identified and to be appointed by the end of the 2023/24 financial year.

Armscor targets under the pillar of cost containment and cost management, as part of the Strategic Objective to manage costs and to reduce unnecessary expenditure. Managing costs tightly towards sustainability of the Corporation. The continued year-on-year decline of the defence budget allocation has placed huge pressure on the DOD's operating and capital budgets. The underfunding of projects leads to time delays as the DOD has to request further funding for the projects. Furthermore, this budget reduction is set to have serious negative effects on the local defence industry. Armscor finds itself in the opposite ends because it has to maintain and grow the industry in an environment of a decreasing budget for projects. This is to be achieved through outward looking and consolidating international partnerships. Notwithstanding, Armscor is looking at various strategies, amongst others, partnerships, linking the local companies with foreign entities where areas of mutual collaboration can be explored.

With the dynamic challenges anticipated in the defence space, we will continue to make strides with our programmes to support the Defence Industry. Armscor continued to provide support for SADI through its participation at the National Defence Industry Council (NDIC) where various initiatives to support SADI have been proposed. 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. So too, the Defence Industry Fund will provide the necessary financial support, boost exports, and provide ease of entry to newcomers into the Defence Industry.

Armscor's major focus area has been the delivery of systems and capabilities to the SANDF on time and in time. Enhancing Armscor's capabilities is an important boost to ensure that the Corporation stays relevant. We are pleased to announce that we facilitated the delivery of the second of the three new Inshore Patrol Vessels, King Shaka Zulu. This follows a successful delivery of the SAS King Sekhukhune I. Plans are underway to deliver the remaining vessel in 2024.

Ergonomics Technologies (ERGOTECH) continues to lead in the South African ergonomics industry through providing a comprehensive array of ergonomics and occupational hygiene services to the SANDF and commercial clients. Armscor welcomes the appointment of two employees who were elected to serve in the Ergonomics Society of South Africa (ESSA) Council and share their expertise for a period of three years ending in 2026. ESSA is the only society in South Africa that deals with ergonomics issues. It

works closely with the Department of Employment and Labour as a society to advise the department on issues pertaining to ergonomics in the country.

The Africa, Aerospace and Defence (AAD) exhibition is once more upon us, and we are confident and honoured as lead partner that the Executive, Armscor and its strategic partners will bring the world to Africa to experience its class leading and innovative technologies in the aerospace and defence sectors.

Armscor made great strides with collaborations and partnerships created with our local defence industry players, foreign entities and governments, which will bear fruits in 2024. We pledge to continue delivering excellence, exceeding expectations and creating sustainable value for all our stakeholders, strengthening partnerships, whilst containing costs and delivering ground breaking technologies.

Armscor's strategy is based on its relevance and the sustainability of the Corporation, hence the focus on the commercialisation and expansion of Armscor services to a wider client base. Our strategic initiatives are fully embedded in the Corporate Plan. 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 Armscor Act and as agreed on in the Service Level Agreement (SLA) with the DOD. The second category measures the attainment of the strategic outputs of the Corporation. The Categories of both the SLA and four Strategic Output (Revenue Generation, Cost Management, Efficient and Effective Delivery, and Stakeholder Management) Performance Indicators have been aligned to Armscor's Results-Based Model.

We extend our sincere appreciation to Ms Thandi Modise, Minister of Defence and Military Veterans and Mr Thabang Makwetla, Deputy Minister, for their political guidance, leadership and support. A word of thanks is directed to the members of the Plenary Defence Staff Council for their support and willingness to assist in matters of departmental procedure. Our ongoing support and commitment can be assured.

The role of the Board is acknowledged and thanked, as none of these strategic initiatives would have been possible. I also extend my gratitude to the outgoing Board members, for their contributions that enriched the business of Armscor. I wish them well in their future endeavours.

Armscor affirms its commitment to achieve on its mandate, ensuring the successful attainment of its resourced outputs and activities. To achieve the objectives of the Corporation, we continue to rely on our skills, commitment and teamwork within Armscor and the Industry at large.

We thank our management for their dedication and commitment in the execution process of our mandate and Corporate Plan.

We look forward to another year, and the challenge it presents.



**Adv. S.P. MBADA**  
**CHIEF EXECUTIVE OFFICER**  
**Date: 28 February 2024**

#### 4. Official sign-off

**It is hereby certified that this Armscor Corporate Plan 2024:**

- a. was developed by Armscor Corporate Strategy and 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 2024/25 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 2024**



**Ms Q. Sitsila**  
**Acting Group Executive: Business Assurance**  
**Date: 28 February 2024**



**Mr J.G. Grobler**  
**Chief Financial Officer**  
**Date: 28 February 2024**



**Adv. S.P. Mbada**  
**Chief Executive Officer**  
**Date: 28 February 2024**



**Dr. P.D. Dexter**  
**Chairperson: Board of Directors**  
**Date: 28 February 2024**



**Ms T.R. Modise**  
**Minister of Defence and Military Veterans, MP**  
**Date: 28 February 2024**



# **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. LEGISLATIVE MANDATE AND 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 the 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 in 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:

**Figure 3: Acquisition Management through the Life Cycle of the Product**



8.3.2 Defence support services:

- Research and Development (R&D) is a Business Unit within Armscor that manages the research, and test & evaluation strategic facilities of Armscor, which has the DOD as its primary client.
- R&D provides services to commercial clients and to defence forces abroad in order to provide additional financial resources required for the maintenance and sustainment of facilities, which include highly specialised infrastructure and equipment, as well as world-leading expertise for the DOD and the country.

8.3.3 Support services in respect of Armscor Dockyard:

Armscor provides the following services to the DOD with regard to the Armscor Dockyard:

- Management of the Armscor Dockyard as a strategic facility of the South African Navy, to be available for service provision to the DOD.
- Provision of support services to satisfy the South African Navy's fleet requirements.

## 9. POLICY MANDATE

### 9.1 Primary Legislation/Regulations/Best Practice

- The primary universe consists of 46 acts, one best practice standard and eight National Treasury circulars and instruction notes.
- Below is the list of primary legislation/regulations/best practice.
  - Constitution of the Republic of South Africa No. 108 of 1996 (as amended)
  - Armscor Act No. 51 of 2003 (as amended)
  - Defence Act No. 42 of 2002
  - IP Rights from Publicly Financed Research and Development Act No. 51 of 2008
  - Occupational Health and Safety Act No. 85 of 1993
  - National Environment Management Act No. 107 of 1998
  - National Environmental Management: Waste Act No. 59 of 2008
  - Hazardous Substances Act No. 15 of 1973
  - Protection of Personal Information Act No. 4 of 2013
  - Public Finance Management Act No. 1 of 1999 (as amended)
  - Companies Act No. 71 of 2008 (as amended)
  - Preferential Procurement Policy Framework Act No. 5 of 2000 and Preferential Procurement Regulations
  - Broad – Based Black Economic Empowerment (B-BBEE) Act No. 53 of 2003
  - The Promotion of Access to Information Act No. 2 of 2000
  - Promotion of Administration Justice Act No. 3 of 2000
  - Prevention and Combating of Corrupt Activities Act No. 12 of 2004 (as amended)
  - Defence Special Account Act No. 18 of 2005
  - Control of Access to Public Premises and Vehicles Act No. 53 of 1985
  - Protected Disclosures Act No. 26 of 2000
  - Basic Conditions of Employment Act No. 75 of 1997
  - Labour Relations Act No. 66 of 1995
  - Employment Equity Act No. 55 of 1998
  - Disaster Management Act No. 57 of 2002 – Regulations Government Notice R480 of 29 April 2020
  - Direction by the Minister of Employment and Labour in terms of Regulation 4 (10) of the Regulations R480 of 29 April 2020
  - Compensation of Occupational Injuries, Diseases Act No. 130 of 1993
  - Unemployment Insurance Act No. 63 of 2001
  - Promotion of Equality and Prevention of Unfair Discrimination Act No. 4 of 2000
  - Non-Proliferation of Weapons of Mass Destruction Act No. 87 of 1993
  - National Conventional Arms Control Act No. 73 of 2008
  - Regulation of Interception of Communications and Provisions of Communications Related Act No. 70 of 2002
  - Explosives Act No. 15 of 2003
  - Firearms Control Act No. 60 of 2000
  - Prescribed Rate of Interest Act No. 55 of 1975 (as amended)
  - Public Audit Act No. 25 of 2004 (as amended)
  - National Archives and Records Service of South Africa Act No. 43 of 1996
  - Use of Official Languages Act No. 12 of 2012
  - Electronic Communications and Transactions Act No. 25 of 2002
  - King IV Report on Corporate Governance for South Africa 2016
  - National Treasury Circular No. 03 of 2015/2016 - Central Supplier Database
  - National Treasury Supply Chain Management (SCM) Instruction No. 2 of 2016/2017 - Procurement Plans - Submissions and Reporting
  - National Treasury Instruction No. 2 of 2016/2017 - Cost Containment Measures
  - National Treasury SCM Instruction No. 3 of 2016/2017 - Preventing and Combating Abuse in the SCM System
  - National Treasury SCM Instruction No. 5 of 2016/2017 - Outstanding Payment due to Suppliers/Creditors Exceeding 30 Days after Submission of a Valid Invoice
  - National Treasury Instruction No. 4 of 2017/2018 – Revised Cost Containment Measures Related to Travel and Subsistence
  - National Treasury SCM Instruction No. 7 of 2017/2018 - Tax Compliance Status
  - National Treasury Instruction No. 2 of 2019/2020 Irregular Expenditure Framework (as amended)

### 9.2 The South African Defence Review, 2015

The South African (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. It also considers 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 Goals 1 to 4 and the associated tasks, are linked to the National Priorities for the revised 2019 - 2024 Medium Term Strategic Framework (MTSF), and more specifically referenced to MTSF Apex Priority 6 "Social Cohesion and Safer Communities" and MTSF Apex Priority 7 "A Better Africa and World". The latter MTSF Apex priorities are included in the Armscor Results-Based Model as articulated in the Corporate Plan.

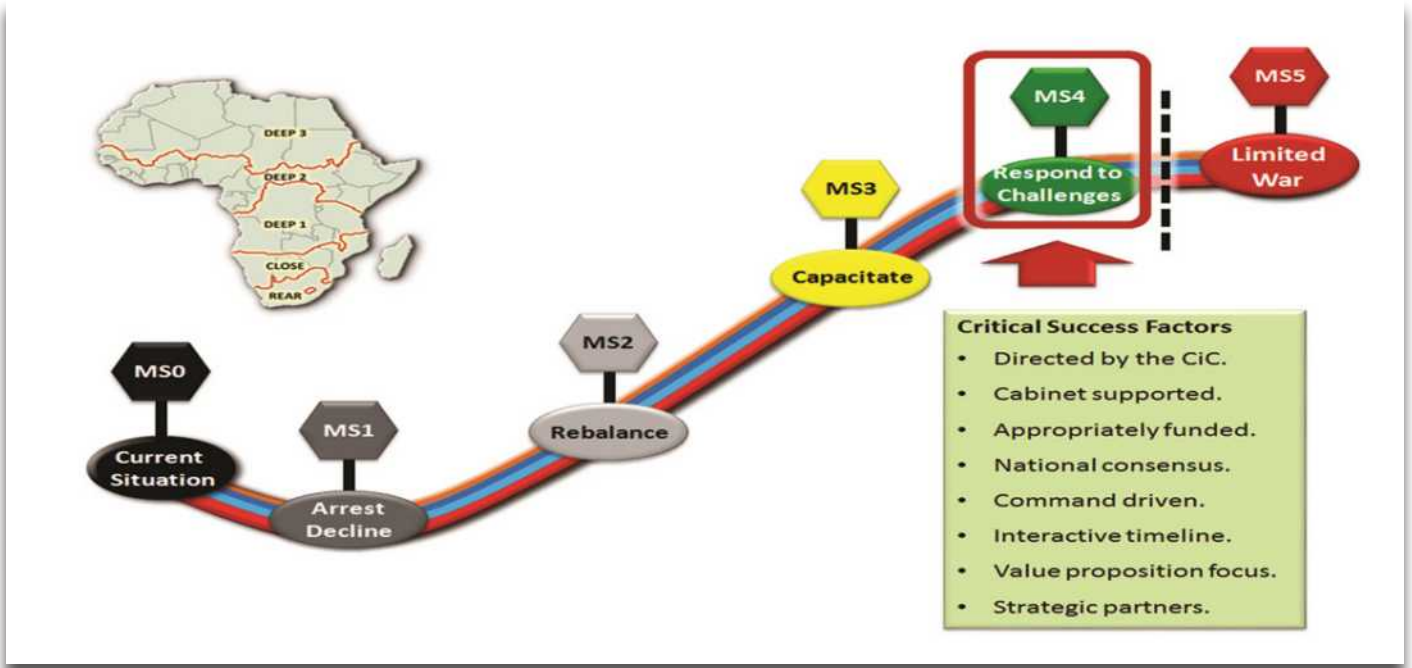
The SA Defence Review 2015 directs the Department's Outcomes (Goals) and Outputs (Tasks) as indicated in Figure 4.

**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 and 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.

The implementation of the SA Defence Review 2015 will not be achieved during the 2023 Medium-Term Expenditure Framework (MTEF) and the cascading period of the Corporate Plan.

Nonetheless, over the 2023 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 and provide value to South Africa as a developmental State.

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



**The SA Defence Review 2015 Implementation Work Packages are as follows:****Work Package 1: Critical Organisational and Efficiency Interventions.**

Work Package 1 focuses on critical organisational and efficiency interventions that are required to improve efficiency and effectiveness within the DOD and to establish possible additional funding opportunities that will assist in funding the implementation of the SA Defence Review 2015.

**Work Package 2: Functional Strategic Intents, Strategies and Plans.**

Work Package 2 focuses on developing the strategic intents, strategies and plans that will guide the DOD towards achieving the principles and objectives of the SA Defence Review 2015. The deliverables for Work Package 2 fall within the current DOD budget allocation and include the development of the policies, strategies and plans of the Defence Programmes.

**Work Package 3: Capital Interventions Priority Support Systems.**

Work Package 3 focuses on enabling capabilities that are presently on the inventories of services and divisions by enhancing priority sustainment systems in order to present operational force levels that can be maintained. The SANDF will not be able to sustain present force levels in current operations if the deliverables of Work Package 3 are not funded.

**Work Package 4: Capital Interventions for Priority Capabilities.**

Work Package 4 focuses on enhancing particular priority operational capabilities toward achieving current Joint Force Employment requirements. The SANDF will not be able to increase force levels to the required level if the deliverables of Work Package 4 are not funded.

**Work Package 5: Deliverables to Maintain Comprehensive Defence Capabilities.**

Work Package 5 focuses on maintaining comprehensive defence capabilities to ensure a sustainable growth path towards the Government's Defence Ambition. If Work Package 5 is not funded, the SANDF will not be able to maintain the core conventional capabilities that are required.

Due to the Republic of South Africa (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, through the *"Plan to Arrest the Decline"*, has not been realised. However, not only was the fiscal allocation not realised, but the year-on-year reductions have exacerbated the defence decline. With the cost-driven interventions not realised, the non-cost interventions were compromised.

It is foreseen that the envisaged implementation of the SA Defence Review 2015 will not be achieved during the 2019 - 2024 MTSF and 2024/25 MTEF and the cascading periods of the Corporate Plans.

As funding permits, this Plan continues to be integrated into the national and departmental planning, budgeting and reporting cycles to ensure resourced and monitored implementation in adherence to national policy requirements.

Although the "SA Defence Review 2015 Strategic Policy Option 2" and the "Defence Plan to Arrest the Decline" remain the long-term vision and value proposition based on South Africa's National Defence Policy, as articulated by Cabinet and Parliament, the requisite funding thereto has never been realised and the decline of capabilities has been steady.

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.

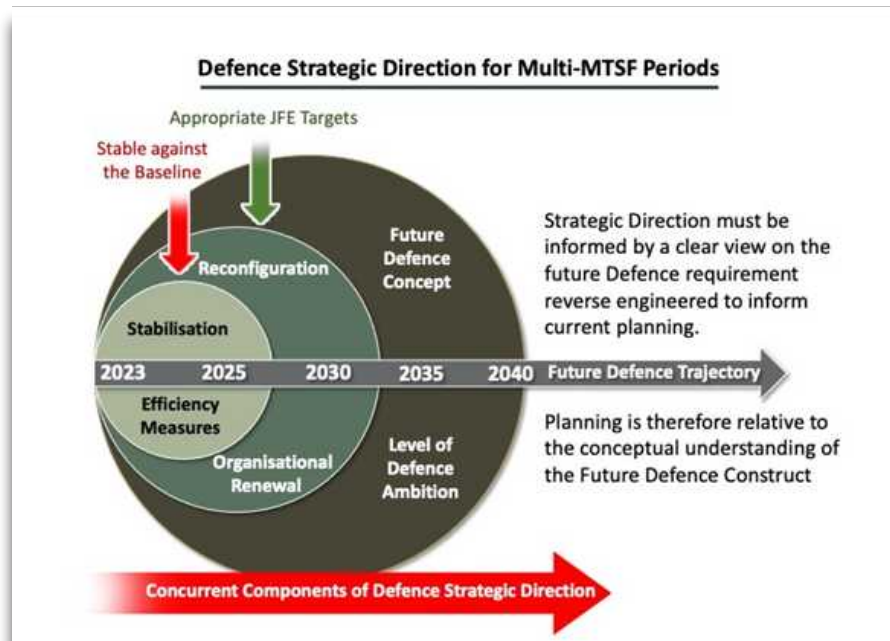
During the Minister of Defence and Military Veteran's 2022 Budget Vote, the Minister refers to the *"Minister of Defence Policy Directive"*, which will provide strategic direction to the Department and will continue to support the SA Defence Review 2015 Goals and Tasks through the following:

- **Safeguarding of the Nation** through military missions, such as border safeguarding, maritime security, support to the South African Police Service (SAPS) and other ordered internal operations.
- **Securing Regional Development** through a Peace and Security Capability, which speaks both to the deployment of robust forces and support of the African Union Peace and Security Architecture.
- **Ensuring Hard Power** through the maintenance of a Core Combat Capability to protect the sovereignty of South Africa.

- **Protecting** South Africa's **intangible sovereignty** through support to the National Cyber Resilience Initiative and ensuring Defence Digital Protection.
- **Nation Building** through contributions to South Africa's National Development Imperative through high-impact projects, the development of appropriate future defence leaders, and innovation in approaches to conducting defence business.

A quantum leap of thinking is required for the future Defence of the RSA, with balanced ends, ways and means, weighed against contemporary risks including a significant discourse on the doctrine and combat capabilities that will be relevant for the future. The following concurrent Phases and End-States will be pursued in the strategic direction for the DOD over multi MTSF periods, as reflected in Figure 7:

**Figure 7: Defence Strategic Direction for Multi Medium Term Strategic Framework Periods**



- **Future-Defence Concept Phase (Long-Term).** A Future-Defence Concept (Level of Defence Ambition) must be posited that provides a long-term growth trajectory for the DOD and that meets the national security requirements of the RSA. Included therein must be an appreciation of South Africa's domestic priority and our international, continental and regional aspirations. This must be tempered against the stated national security risk-appetite of Government. This must also respond to natural and man-made disasters that have characterised the South African landscape.
- **Defence Reconfiguration Phase (Medium-Term).** The DOD must ensure appropriate organisational renewal that will include departmental reconfiguration, repositioning and reorganisation, aligned with the future defence concept, whilst ensuring coherent command and control and appropriate governance and accountability.
- **Defence Stabilisation Phase (Short-Term).** The DOD must pursue ongoing efficiency measures through savings and targeted interventions to improve efficiency, effectiveness and economy within the personnel, operating and capital components of the budget, focused on achieving a sustainable DOD against its current budget allocation.

The Future-Defence Concept is an institutional perspective that describes the future features and functioning of the DOD and which will lead to the development of new military fighting concepts and new military doctrine, and the defence capabilities required to support this.

Armcor 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 Public-Private Growth Initiative (PPGI), the National Defence Industry Council (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, Armcor 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 2024

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.

Subject to Section 101(1) of the Constitution of the Republic of South Africa, 1996, the President of the RSA established the National Security Council (NSC) on 27 February 2020. The NSC is a structure at the level of the National Executive responsible for ensuring the national security of the RSA. The DOD, through the MOD&MV, as a permanent member of the NSC, including the Secretary for Defence and CSANDF, are members of the SA National Security Secretariat, will contribute to the mandate of the NSC as and when required. 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 instability, but contributes to the call on regional security forces to cooperate in the fight against international terrorism<sup>2</sup>. Regionally and continentally, in support of MTSF Apex Priority 7 "A Better Africa and World", the DOD continues executing mandated peace operations in the Democratic Republic of the Congo and Mozambique whilst complying with the SADC Force Pledge in support of regional security.

#### ECONOMIC

The Global Risks Report of 2023, highlights the multiple areas where there are significant changes taking place in the world. It is a call to action, to collectively prepare for the next crises the world may face and, in doing so, shape a pathway to a more stable, resilient world. The increasing high "cost of living" is ranked as the most severe global risk that will materialise over the next two years.<sup>3</sup>

Global Outlook. The global economy is in a vulnerable position due to the negative effects of the COVID-19 pandemic, the conflict between Russia and Ukraine, and the rising interest rates to control inflation. Global growth is expected to decline significantly in 2024<sup>4</sup> after growing 3.1% in 2022, the global economy slowed in 2023, to 2.1%, and is estimated to recover in 2024, to 2.4%.

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 National Development Plan (NDP), Vision 2030. Coupled to this economic under-performance is the increasing socio-economic demands and competing priorities for service delivery that further aggravate an already constrained fiscal outlook.

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

<sup>2</sup> Chief Joint Operations Level 1 Performance Indicator: "Percentage compliance with the Southern African Development Community Standby Force Pledge per year" and the Performance target is 100%.

<sup>3</sup> WEF Global Risks Report 2023, Page 4 and 6.

<sup>4</sup> Global Economic Prospects, June 2023: A World Bank Group Flagship Report, World Bank Group Pages (Pages xv, xvii, 3).

The Minister of Finance, in the Budget Speech of 22 February 2023, indicated that according to the International Monetary Fund (IMF), global growth is forecasted to decrease from an estimated 3,4 % in 2022 to 2,9% in 2023. The annual Gross Domestic Product (GDP) growth is projected to an average of 1,4% from 2023 to 2025. The annual change in the Consumer Price Index (CPI) is forecasted at 5,3% in 2023, 4,9% in 2024 and 4,7% in 2025. The annual CPI was at 6,8% in April 2023, down from 7,1% in March 2023.<sup>5</sup> This implies that the global environment will be less supportive to South Africa's growth anticipated at the time of the 2023 and 2024 budget.

Global financial instability has resulted in global monetary policy tightening.<sup>6</sup> The tightening of monetary policy in economies, could lead to financial stress in some emerging markets and developing economies.<sup>7</sup> The defence earmarked allocation has increased over the 2023/24 MTEF and immediate short-term, allowing for limited operational capability enhancements in support of internal and external operations as defence capabilities become available. The economic forecast and the current (historic) downward trends in the defence funding allocation continues to constrain the implementation of the National Policy on Defence (the SA Defence Review 2015), with an additional adverse impact on the provision of departmental strategic direction, governance and the ability of Defence to modernise and sustain the required defence capabilities in collaboration with the ailing Defence Industry. The continued disconnect between the government Level of Defence Ambition required from the DOD and the declining defence budget allocation continue to adversely impact on the Department's ability to execute its constitutional mandate, within the context of growing instability in Africa, an ever-increasing threat of unconventional warfare, increasing cyber warfare and cyber-attacks, acts of terrorism, cross-border crime, increasing climate change risks, ongoing humanitarian, disaster and aid relief assistance requirements, including requirements for search and rescue operations as well as in support of the people of the RSA.

It is clearly evident that the RSA does not only need a conventional war to attract the required levels of funding and capacitation of Defence, but even during peace-time, it is incumbent on the RSA to invest and capacitate its Defence Force, thereby ensuring its agility, capacitation and readiness during times of peace and war, to execute its mandate and render support when so directed by Government.

Load-shedding Cuts Tax Income. The SANDF has assisted ESKOM through the rendering of security services to critical infrastructure on the executive instructions of the President, as the Commander in Chief of the SANDF. This SANDF intervention has assisted the deterrence of infrastructure vandalism and theft, which have been major contributors to load shedding. These efforts have helped to reduce the frequency and severity of load shedding and have contributed to ensuring the security of South Africa's energy supply. The Energy Minister indicated that the adverse impact of load-shedding on South Africa's total economic activity in the production of goods and services amounted to approximately R1.6 trillion, compared with R1.23 trillion in 2022. Load-shedding has the potential to erase an estimated R77 billion in tax earnings in 2023, equal to approximately 5% of the total tax revenue in 2021/22.<sup>8</sup> The SANDF via the National Joint Operational and Intelligence Structure (NATJOINTS), through the Workstream 6: Safety and Security, will continue to provide support to the national Energy Action Plan, as and when required to protect Eskom power stations.

In the short term, the DOD will continue to implement and monitor departmental cost-saving, austerity and continue to embark on funding generating mechanisms to supplement the historic declining defence allocation.<sup>9</sup>

In the medium to long term, the DOD will consult and submit for approval by Parliament, a revised position, outlining an affordable and sustainable "Level of Defence Ambition" over multi-MTSF periods, enabling a balance between the allocated funding and national security requirements.<sup>10</sup> Recent engagements (during June 2023 and January 2024) between the President and the MOD&MV, have confirmed the requirement for an evaluation and review of the Defence Review 2015 as the national policy on defence. The development of a SA Defence Review supporting action plan is required for consideration by the National Executive by 31 October 2024, in support of an approved evaluation and revision process.<sup>11</sup>

The conflict between Russia and Ukraine and its effects on commodity markets, supply chains, inflation, and financial conditions have steepened the slowdown in global growth. The possibility of high global inflation could result in a sharp tightening of monetary policy in economies, which could lead to financial stress in some emerging markets and developing economies.<sup>12</sup> The defence indicative allocation has declined in real terms over the 2023/24 MTEF and immediate short-term. The economic forecast and the current downward 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 ability to modernise and sustain the required defence capabilities in collaboration with the ailing Defence Industry.

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.

<sup>5</sup> Statistics SA: Statistical Release P0141 CPI April 2023: [https://www.statssa.gov.za/?page\\_id=735&id=3](https://www.statssa.gov.za/?page_id=735&id=3): Accessed 05 September 2022.

<sup>6</sup> Global Economic Prospects, June 2023: A World Bank Group Flagship Report, World Bank Group Page (28).

<sup>7</sup> June 2022, Global Economic Prospects, The World Bank (Pages xv, xvii, 3).

<sup>8</sup> Institute for Futures Research Friday@Noon: 11 August 2023.

<sup>9</sup> Transversal DOD Performance Indicator relating to this matter. "Reduction in FMD wasteful and fruitless expenditure" and the Performance target is 100%.

<sup>10</sup> A Conception Framework was developed during the 2021, 2022 and 2023 enabling the MOD&MV to engaged Cabinet and Parliament. Target date for submission: 31 March 2024.

<sup>11</sup> Status of the Defence Level of Defence Ambition, CDPSP L2 APP.

<sup>12</sup> June 2022, Global Economic Prospects, The World Bank.

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.

The continued disconnect between the government Level of Defence Ambition required from the DOD and the declining defence budget allocation continue to adversely impact on the Department's ability to execute its constitutional mandate in support of the people of the RSA.

In the short-term, the DOD will continue to implement and monitor departmental cost-saving, austerity and other funding generating measures in order to supplement the historic declining defence allocation.

In the medium- to long-term, the DOD will develop and implement a conceptual policy position, outlining an affordable and sustainable Level of Defence Ambition over multiple MTSF periods which will enable engagements with identified stakeholders, enabling a balance between allocated funding and national security requirements.

## SOCIAL

World population continues to grow and is projected to reach 8,5 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. Migration and urbanisation may result in political instability in the SADC region and on the African continent with possible security threats to the RSA. The SANDF will continue to protect its borders with the resourced deployment of 15 sub-units and enabling force multipliers.

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 and employment opportunities.

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 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>13</sup> and inequality<sup>14</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 SAPS, to ensure national security and stability. The responsibility of the SANDF for border safeguarding will increase as cross-border migration intensifies.

## 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.

### • INCREASE IN CYBERCRIMES:

As the country continues to grapple with the impact of the COVID-19 pandemic, South Africans as with the rest of the world, now have to deal with a sudden surge in cybercrime. Cyber security experts have noted a sharp increase

<sup>13</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>14</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).



in cybercrimes that include carding, romance scams and compromised business emails. Cyber experts have found that criminals are exploiting the desire for news and information in relation to COVID-19 and are tricking consumers to fake websites, which could compromise personal information.

#### • DEFENCE INDUSTRY:

South African Defence Industry (SADI) 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 (NCACC) with a primary focus on the manufacturing of weapons of war. The Defence Industry is recognised by Government as a fully-fledged economic sector and should 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 focusing 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. It also seeks 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 Defence Industry Fund (DIF) was established to support SMMEs in the defence industry with contract finance.

## 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 peace-keeping 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

### PHYSICAL ENVIRONMENT

The World Economic Forum (WEF) Global Risk Report 2022, "*Climate Action Failure*", "*Extreme Weather*" and "*Biodiversity Loss*" are among the top three short-term risks to the world, with the highest potential to severely damage societies, economies and the planet.<sup>15</sup> These top three environmental risks to which no country is immune continue to be a catastrophic risk.

Climate change in the form of droughts, fires, floods, resource scarcity and species loss is currently manifested among other impacts. Uneven and extreme global weather conditions may occur more often as climate change takes place. Resource scarcity, population growth and climate change may increase the potential for conflict over disputed land and increasing water scarcity. More volatile food and energy prices may increase the stresses on fragile countries.

Associated with climate change remains the forecast of increased global warming with severe ramifications for the well-being of the global population. Natural disasters remain a reality and may have catastrophic effects domestically, such as the floods in KwaZulu-Natal during 2022, regionally and continentally. It is foreseen, as in the past that the DOD will be called upon to conduct humanitarian and disaster and aid relief operations in support of local government authorities and other state departments both internally and in the SADC Region. Recurring natural disasters in the SADC Region and on the African continent including the requirement for rendering support to the SAPS during instability and internal threats, have necessitated the requirement for the establishment of the Rapid Deployment Capability (RDC) able to respond to these situations.

## 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. The operational environment of the future will become increasingly complex and uncertain. Inadequate funding enabling the execution of SANDF military operations inclusive of the funding required to modernise ageing prime mission equipment, continues to have an adverse impact on the defence force.

The Military Capstone Concept will outline the capacity, attributes and enablers required for the five national security themes being; Nation Building, Safeguarding the Nation, Supporting Regional Development, National Cyber Resilience and National Hard Power.

<sup>15</sup> WEF Global Risks Report 2022.

It is the Minister's Strategic Intent that *"The DOD must provide a realistic and sustainable future-orientated Defence Value-Proposition, cognisant of current fiscal realities, that delivers against its Constitutional Mandate, South Africa's national interests and priorities, and its risk-appetite"*. The DOD has been tasked by Cabinet to consult and submit for approval to Parliament, a revised position, outlining an affordable and sustainable "Level of Defence Ambition" over multi-MTSF periods that will direct sustainable funding for military missions.

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.

Foreign States continue to support efforts to counter threats to African security and assist allies through the building of security forces to counter these threats and strengthen the rule of law. Military priorities linked to this approach are countering violent extremist organisations, maritime security, countering illicit trafficking, and illegal migration, strengthening indigenous defence capabilities and preparing for and responding to crises.

South Africa will be required to maintain a credible resourced defence capability and adopt a posture demonstrating resilience, irrespective of the nature of potential conflict, thereby ensuring:

- Prevention and Resolution of Conflict. South Africa's contribution to the prevention and resolution of conflict will be enhanced through the integration of its diplomatic, military and other efforts in a complementary manner, and in some instances, supported by appropriate military capabilities that strengthen South Africa's capacity to influence international developments.
- Peace Support Operations. A number of states in Africa can be classified as complex security areas that may require the deployment of the SANDF as part of the multinational armed forces of the United Nations (UN) or the AU. South Africa will continue to participate in peace missions in support of South Africa's foreign policy and as part of multinational commitments. To ensure security and stability in the SADC Region and on the African continent, enabling economic growth, the DOD will continue to participate in external operations in support of the UN and AU peace missions, contribute to the Southern African Development Community Regional Indicative Strategic Development Plan (RISDP) through the SADC Standby Force Pledge, support initiatives to combat maritime crime and piracy and deploy the SANDF resources, on request, for search and rescue operations and humanitarian assistance. Through the Defence Attaché Offices, the DOD continues to support the RSA Foreign Policy objectives regionally, continentally and the rest of the world.
- Support to the Combating of Maritime Piracy along the East Coast of Africa. 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 and available funding, the South African Navy may be required to conduct long-distance maritime patrols off the East Coast and the West Coast of the African Continent, depending on security circumstances along the West Coast of Africa.
- SA's new Border Management Authority to boost security and development: The Border Management Authority (BMA) is tasked with ensuring that the country's immigration laws are enforced, and that the borders are well-protected and ports of entry are well-managed. The BMA will take on the work of several other departments and agencies and is already working with the South African Revenue Service (SARS), SAPS and SANDF to integrate border management functions.
- Crime prevention: In an effort to combat crime prevention, more SANDF soldiers are deployed to assist SAPS to support them in crime prevention areas such as the Western Cape and other regions within the RSA.
- More soldiers deployed to fight illegal mining: President Ramaphosa authorised the employment of 3 300 members of the SANDF, in co-operation with the SAPS, to combat crime under Operation Prosper with a focus on illegal mining.

## 10.2 INTERNAL ENVIRONMENT

Armscor 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 Armscor 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 Armscor.

#### • 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

The latest National Treasury Budget Allocation dated 29 January 2024 states that the 2023 Medium-Term Budget Policy Statement (MTBPS) outlined a precarious and difficult outlook for the South African economy and the fiscus. Debt has grown much faster than the economy, with debt-service costs crowding out spending on government priorities. In addition, tax revenues have fallen due to global and domestic challenges affecting South Africa.

Armscor is obliged to further tighten on operational costs due to the challenges brought on by a declining defence budget which will see a reduction in our transfer payment of R488,5m over the next three years.

Armscor's principal client's – the DOD – budget allocation for the 2024/25 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 Armscor 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 has been reduced substantially with the bulk of the previous projects being delayed extensively or being cancelled. This reduces the demand for Armscor 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.

Armscor'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 Armscor 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 Armscor. Armscor will however continue to strengthen its efforts and focus on these vital initiatives.

#### • CORPORATE GOVERNANCE AND ACCOUNTABILITY

Armscor 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 Armscor 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 Armscor, its shareholder (represented by the Minister of Defence and Military Veterans), the SADI, and the South African public as a whole. Furthermore, Armscor 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 2024 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:

- Surprises in the global environment are inevitable, as demonstrated in developments such as the conflict in Ukraine (considered by many analysts, but not deemed probable by most) or the conflict between Israel and Gaza (nearly inevitable, but surprisingly reaching the level of declared war). Longer term trends are however more stable.
- The evolution of the international system is still dominated by the relationship between China and the USA. Tensions are rising for multiple reasons, but conflict in the military domain is improbable as both nations are proponents of the softer forms of power. This does not imply that there will be reducing military expenditure. The Global South is growing in membership in the form of BRICS Plus and in their ambition for reducing the hegemony of the USA, and theoretically Europe as well. However, many members of BRICS Plus have strategic programmes for accessing the valuable economies of Europe. These interdependencies reduce the probabilities of large-scale state-on-state war in the global system. The trend is continuing whereby major powers and countries rather use proxy forces for achieving their external national interests.
- In Africa one of these proxy entities are the Wagner group, who can be observed supporting presidents that are “in trouble” with either their populations, their militaries or even with the private sector in their countries. In South African terminology these countries become “captured” by Wagner and unpredictable from a security perspective. On the other hand, both the USA and China amongst others, are also “incentivising” nations on the continent to project power into the Indian Ocean and the Middle East, but also to incubate and thereafter access the emerging future consumer economies in Africa. Wagner is one of multiple actors claiming continued “decolonisation” of especially Francophone Africa. One implication of the claimed “expedited decolonialisation” is a record tempo of coups by the military of the continent. The probability of this behaviour in SADC requires careful consideration.
- In SADC democracy is simultaneously progressing and regressing. Instances of “mature democracy” can be observed for example when the liberation movement of a country is replaced by a next era government (Angola among others). Some countries demonstrate globally exceptional levels of clean government/absence of corruption (Namibia), performing with exceptional traction by the judiciary (Malawi declaring an election result invalid). The opposite is however also true, with de facto coups or risks of coups in neighbouring countries or questionable election outcomes. Irrespective, the outlook is maintained that it is improbable that South Africa is threatened by a neighbouring country in the form of state-on-state war in the foreseeable future.
- This view forms the departure point for the conceptualisation of defence policy in the imminent South African future where the defence allocation will not meet military expectations. South Africa is currently struggling with corruption at a level that results in infrastructure shortfalls (electricity, transport, harbours and water) that constrains business and therefore business tax as a key component of the fiscus. Personal tax is another key component of the fiscus. This is also regressing for multiple reasons. In short – there is a major risk that government will not be able to fund its socio-economic programmes as in the past. A key national programme, the transfer of wealth to the poor through multiple types of grants, is becoming unsustainable. A large segment of the national population is young, unemployed, located in dysfunctional municipalities, no longer believing in the SAPS to maintain an orderly environment and influenced by populist party rhetoric. The trend on all of these variables is towards the negative. Factors that can perhaps be considered as positive are: increasing voter apathy especially among the youth, a robust informal sector that no longer expects government to provide them with a future and therefore build their own solutions, and slow recovery from the failing infrastructure position.

- In a context such as the Arab Spring, the negative factors in the RSA was sufficient to activate the “dry kindle” into popular insurrection. Some of the requirements for organised insurrection is fortunately absent in current South Africa, but they can develop rapidly. A possible update to the defence policy to engage this possibility, is under consideration. A major policy shift, from outwards to inwards, from state threats to internal threats, from conventional war to futuristic guerrilla type opponents, are under consideration. This is not popular with some in the military, arguing that the role of defence must be premised on the White Paper on Defence – defence is responsible for the Sovereignty and Territorial Integrity of the RSA against external conquerors and other departments for internal problems.
- For the foreseeable future, defence expenditure will probably still be dominated by: high HR expenditure despite the personnel exit initiatives, a reducing operating budget accompanied by reducing Maintain, Repair, Operate (MRO) expenditure and reducing stock levels. Acquisition projects for a much “lighter” SANDF will probably be limited, narrowly focused on high risks, funded per project by Treasury and closely monitored by those involved in governance. Arguments and models for not using Armscor as the procurement agency, must be expected to increase.
- Maximising the utility of existing “work horses” through best value Maintain, Repair and Overhaul practices, are key for the constrained military. Historic Armscor approaches, defensible from multiple Armscor perspectives, are perhaps rightfully questioned by the military. They cite greater operational availability of systems, relative to South Africa, in regional countries such as Lesotho, Zimbabwe and Botswana.
- There are major differences between the air forces/wings of South Africa, Lesotho and Zimbabwe and comparison may have little utility. Lesotho's quantities are very small. Zimbabwe must circumvent constraints on their supply chain. Botswana, however, have key similarities with South Africa. An exercise between Armscor and the SAAF, analysing the Botswana approach, could be useful. Their approach to multiyear estimation of future workloads and therefore the need for spares, multiyear orders on suppliers with multiyear finances, maintenance of physical stocks in advance, the selection of the entity responsible for doing maintenance and especially ensuring a steady workload at the maintenance facility, could be their edge. South Africa has constraints that may not apply to Botswana. A joint work session between Armscor and the SAAF may confirm the opportunity costs of not amending existing approaches and may find ways to apply aspects of the Botswana approach.
- The need for adapting commercial technology and injecting it as “appropriate” technology (relevant, affordable, mature) into the SANDF is a Ministerial Directive and a CSANDF priority. Technology driven “modernisation and innovation” of the military and national environment is supported by many stakeholders and present opportunities for Armscor to provide value from in-house expertise. Battlefield Robotics is viewed as an affordable, appropriate and mature technology that can become a force multiplier for the military.

### 11.3 Armscor's SWOT analysis

In order for the Corporation to deal 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 in Table 1 are deemed important to take cognisance of:

Table 1: Armscor's SWOT Analysis

STRENGTHS	WEAKNESSES
<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 processes.</li> <li>• World-class research, test and evaluation facilities.</li> <li>• Governance record supported by established quality management systems.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited commercialisation and business development capabilities.</li> <li>• Slow conversion rate of business opportunities.</li> <li>• Acquisition turnaround times.</li> <li>• Over-reliance on DOD transfer payment.</li> </ul>
OPPORTUNITIES	THREATS
<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>	<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>• 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 - "Our Future – Make it Work" 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 8 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 outcomes, 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 Armscor's 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 8: Aspects that form the cornerstone of the National Development Plan, Vision 2030



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

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.

- **Foundational MTSF Pillar 1: “A Strong and Inclusive Economy”.**
  - MTSF Apex Priority 2: “Economic Transformation and Job Creation”.
- **Foundational MTSF Pillar 2: “Capable South Africans”.**
  - MTSF Apex Priority 3: “Education, Skills and Health”.
  - MTSF Apex Priority 4: “Consolidating the Social wage through reliable and Basic Services”.
  - MTSF Apex Priority 5: “Spatial Integration, Human Settlements and Local Government”.
  - MTSF Apex Priority 6: “Social Cohesion and Safer Communities” (DOD Direct).
- **Foundational MTSF Pillar 3: “A Capable Developmental State”.**
  - MTSF Apex Priority 1: “A Capable, Ethical and Developmental State” (DOD Direct).
  - MTSF Apex Priority 7: “A Better Africa and World” (DOD Direct).

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

- MTSF Apex Priority 1: “A Capable, Ethical and Developmental State” (DOD Direct).
  - Armscor will ensure effective internal controls and processes whilst ensuring effective governance structures and systems that enable the effective, efficient and economic use of resources within prevailing legislation. The Board has promoted a ‘risk-matured or risk-intelligent’ culture and set the risk management tone through the approval of the Risk Management Policy and Framework. The Board, in discharging its risk management responsibilities, is supported by the Audit and Risk Committee whose main responsibilities are to ensure that Armscor has implemented an effective Risk Management Strategy that will enhance Armscor’s ability to achieve its strategic outputs.
  - Armscor is committed to discharge its legislative mandate in an ethical organisational climate that ensures that its business is run fairly and justly. The Code of Conduct provides a guideline to decision making and commits Armscor and its employees to a certain acceptable behaviour.
- MTSF Apex 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.
- MTSF Apex Priority 7: "A Better Africa and 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 Governmental MTSF Apex Priorities:

- MTSF Apex 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 Apex 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 regarding education to assist learners from previously disadvantaged communities to improve their performance and results in science, technology, engineering and mathematics.
- MTSF Apex 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 Apex 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 Apex Priority 5: Spatial Integration, Human Settlements and Local Government, through Project Koba Tlala to support women and youth development and economic development in identified rural areas. Armscor 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. Armscor 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. Furthermore, Armscor will provide support to the DOD in the establishment of a Cyber Academy.
- MTSF Apex Priority 7: A Better Africa and 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. Armscor will provide procurement and logistic services to other countries when required.

### 12.3 National Spatial Development Framework 2050

The National Spatial Development Framework (NSDF) is a strategic long-term spatial plan towards 2050. The NSDF is legally mandated by the Spatial Planning and Land Use Management Act, 2013 (SPLUMA), and is to be aligned with the National Development Plan (NDP), Vision 2030. The NSDF provides for the following;

- A visual representation of the desired national spatial development pattern for the country,
- A set of national spatial directives for all forms of infrastructure investment and development spending in the country; and
- A series of national strategic spatial areas for targeted investment by government and the private sector.
  - The DOD, through departmental processes and main projects, will indirectly support the National Spatial Development Framework (NSDF) 2050 goals, as follows:
    - Urbanisation, the Pursuit of a Better Life and a Desire for Quality Urban Living and Spaces.** Through the conducting of internal operations (humanitarian assistance, disaster and aid relief operations and support to the SAPS and other departments), as and when required.



- ii. **Ruralisation and the Need for Decisive and Sustainable Rural Development and Agrarian Reform.** Through Project KOBATLALA, the DOD provide support to assist Government interventions to develop Agri-Enterprise and small scale farming resource in identified rural and semi-rural areas.
- iii. **Natural Resource Limitations, a Move Away from Ecosystem Destruction, Pollution and a National Water Security Crisis.** Through the conducting of humanitarian assistance operations in support of other state departments.
- iv. **Climate Change Implications, Regional Adaptation and Mitigation.** Through the conducting of external operations (humanitarian assistance within the SADC Region and on the African continent as well as the conducting of internal operations (humanitarian assistance, disaster and aid relief, and search and rescue operations) domestically.
- v. **Land Reform.** The DOD will continue to interact with the Chief Land Claims Commissioner, to obtain information related to possible land claims against the Department. Through internal legal processes and advice, the Department will strive to resolve potential land claims.
- vi. **Globalisation, Supra-National Regionalisation, Gateway Nodes and National Connectivity and Integration.** The DOD will continue to support UN and AU peace and security operations, as peace and security domestically, regionally and on the African continent is an enabler to socio economic development. Through Op PHAKISA, the DOD will continue to protect the Maritime Protection Areas of the RSA by conducting maritime coastal patrol as and when required.

#### 12.4 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. Armscor will endeavour to support the NGP through the following actions:

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

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

Armscor's Learning and Development function's focus is to consistently develop and sustain the relevant and required critical skill of employees. The aim is 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.

Armscor's mandate is the support and promotion of the SADI. This relationship is therefore critical to Armscor's success. This group is made up of SA industry suppliers and international industry role-players.

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. Armscor 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, Armscor amended the procurement process to include Military Veterans, where applicable.

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

Armscor 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. Armscor 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. Armscor forms part of the NDIC. The Corporation 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.

### 12.5 The Industrial Policy Action Plan (IPAP)

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.

### 12.6 The Forum of South African Directors-General

The Action Plan (2009 – 2019) was adopted by Government and finds expression in the Corporate Plan 2024/25, 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 Business Enablement 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 2024).
  - 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.
  - Submission of Armscor's Accountability Documents, which include the timeous submission of the SMS Agreement, SMS Financial Disclosures, Armscor Annual Report and Armscor Quarterly Report (EQPR).

**12.7 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 9. 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 9: 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 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. Armscor's Code of Conduct 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.

## 12.8 African Union Agenda 2063

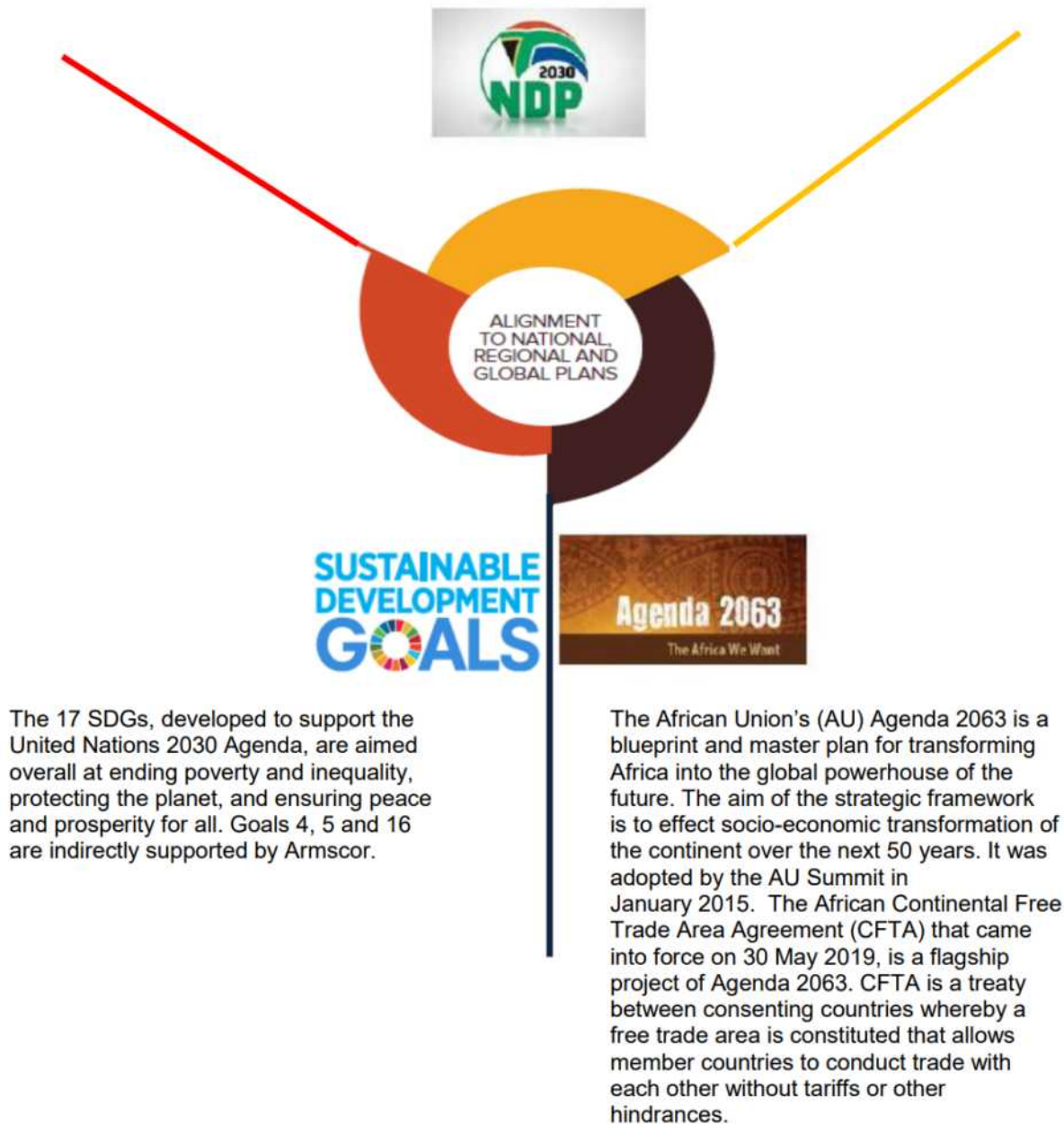
The AU Agenda 2063 is regarded as a strategic framework for the socio-economic transformation of the African continent. The Agenda seeks to accelerate the implementation of past and existing continental initiatives for growth and sustainable

development. The guiding Vision for Agenda 2063 is the AU Vision of “an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international agenda” which is supported by the seven aspirations of the AU.

**12.9 Armcor's Contribution to NDP, Vision 2030, Sustainable Development Goals (SDGs) and AU Agenda 2063**

Armcor's mandate and strategy are linked to the objectives of South Africa's NDP, Vision 2030, which sets out an integrated strategy for accelerating economic growth, eliminating poverty and reducing inequality. Faster economic growth is both a key objective of the NDP and a necessary condition to raise the resources needed to fund the country's social and economic transformation. Armcor directs its planning towards the NDP, Vision 2030 and the Corporation supports government's goals. Priority 6 and 7 are directly supported by Armcor.

**Figure 10: NDP, Vision 2030, SDG and AU agenda 2063**



### 12.10 The State of the Nation Address (2024)

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 8 February 2024 respectively – the President has laid out the government's main objectives for 2024 in his SONA. These include, amongst others, Infrastructure and Challenges, National Health Insurance (NHI), Youth Unemployment, Gender-Based Violence.

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.

Armcor supports the DOD to achieve pronouncements of the SONA.

## 13. MINISTER OF DEFENCE AND MILITARY VETERANS PRIORITIES FOR 2024/25 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:

- **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. Armcor provide support in the implementation of the non-costed deliverables as per the DOD Plan to Arrest the Decline.

The backbone of the SANDF is an effective and efficient sustainment system. The SANDF is highly dependent on a healthy and sovereign indigenous local defence industry.

One cannot ignore the desperate plight of the Defence and Defence-related Industry. This sector has historically delivered an excellent return on government investment, and is currently not only a mainstream industrial manufacturing and development role-player, but also key to the sovereignty of South Africa and the deep-level support required by the SANDF.

The Minister of Defence and Military Veterans (MOD&MV), requires Armcor's feedback on the status of the following requirements as well as further planned performance against these requirements:

- "Defence Industry. I further require the Board of Directors and CEO of Armcor, supported by the Secretary for Defence and the Chief of the South African National Defence Force, to initiate an analysis of the public and private components of the Defence Industry and its ability to support the South African National Defence Force and its current ordered operational output. The Board of Directors, CEO Armcor, Secretary for Defence and CSANDF to initiate an analysis of the public and private components of the Defence Industry and its ability to support the South African National Defence Force and its current ordered operational output.
- I require the Accounting Authority of Armcor to consider how Armcor might assist the Secretary with instituting wide-ranging reforms in the procurement and acquisition arenas. The Accounting Authority of Armcor to institute wide-ranging reforms in the procurement and acquisition arenas to assist Secretary for Defence.
- I require the Accounting Authority of Armcor to consider how Armcor can assist the South African National Defence Force with meeting the Troop Contribution Standards as set by the relevant Multilateral Authority, so as to enhance the level of serviceability and ensure greater accrued remuneration. Armcor to develop plans and strategies of how to assist the SANDF to meet the Troop Contribution Standards as set by the relevant Multilateral Authority, to enhance the level of serviceability and ensure greater accrued remuneration.

The Minister of Defence and Military Veterans Budget Vote of 24 May 2022 highlighted the following Armcor Strategic Focus Areas for implementation:

- Commission a hard-hitting, factual and uncompromising review of the state of public and private companies in the Defence and Defence-related Industry.
- Provide a sober, realistic and unemotional analysis of capabilities and capacities remaining in the public and private components of the industry so that we can make hard choices against an informed base.
- Within this context, suggest measures, interventions and mechanisms that will improve industry support to the SANDF, including support to operational deployments domestically and internationally.
- Posit a new relationship with the Industry and other stakeholders that ensures the modernisation of the SANDF.

- Provide a clear strategy on the repositioning and rebuilding of the Defence and Defence-related Industry in a manner that enhances the sovereignty of the Republic, inclusive of an amplified role for Armscor with the Industry.

**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, disposal of redundant assets, efficient and effective management of DOD Intellectual Property, as mandated by the DOD and the sweating of Armscor assets.
  - In an effort to supplement the declining budget, Armscor can sweat its own assets (i.e. properties). 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 to manage operational expenditure. The implementation of possible future 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 MRO of land, air, maritime and military health equipment and 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. 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. 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. Armscor to support the Minister of Defence and Military Veterans in the national efforts.

### 13.1 Relationship between the South African National Defence Force and Armscor

A steadily reducing defence allocation has introduced an era where capital expenditure has nearly disappeared. There is now no other option for the SANDF than to focus primarily on ensuring the availability of relatively old equipment by maximising the maintenance, repair and overhaul (MRO) funds of the operating budget while we are simultaneously modernising selectively. Even if the MRO budget is relatively stable in nominal terms, it is steeply declining in real terms because of the weakening currency exchange rate.

The financial pressure in the DOD combines with the ever-expanding roles of the SANDF – and increased utilisation of the SANDF within those roles – in terms of both scope and duration. The DOD is becoming the go-to department for many national stress points. In many cases, these roles were not foreseen during the long-term planning five years ago. In some cases, the resultant demand is urgent (with the solution being required in a matter of months) and large scale (involving volumes that would normally have been a major project on the Strategic Capital Acquisition Master Plan). In addition, the SANDF is not pre-funded for these tasks, but after the event. This is but one of the causes of the time pressure that the SANDF frequently exerts on Armscor. Historically, Armscor provided solid advice to the SANDF and ensured reliable access to relatively scarce

components. However, the SANDF can no longer afford to fund historic stock assurance practices that used to provide access to international stock pools. Innovation and perhaps far-reaching decisions are required. All these factors are introducing stress in the relationship between the SANDF and Armscor.

Armscor could provide suggestions on how the SANDF can improve its part of the relationship, but within the paradigm of its externally induced constraints. Themes for constructive interaction:

- a. Reduce Surprises and Resultant Pressure in the System. A SANDF/Armscor forum is established that can analyse the mission types implied in the so-called 'CSANDF Option One', as well as the mission types indicated in the emerging Updated Defence Policy, with a view to creating sustainable mission concepts, especially for the next five years focusing on:
  - i. Create mission profiles for the existing main equipment across those missions.
  - ii. Rework the logistics analyses that were done during the acquisition phase of the equipment and create new logistic consumption baselines.
  - iii. Use these baselines to project consumables required over the next five years.
  - iv. Consider the ability of industry to actually deliver over the long term before the need for these consumables are formalised in planning. Armscor is best positioned to shed light on the trends in industry and how different expenditure patterns can influence industry, and therefore must influence procurement decisions.
  - v. Also, before actual consumable stock-level targets are developed, the opportunities to overcome stock availability problems and/or enhance the specific main equipment through technology spin-in, must be considered, ideally through the rapid modification of commercial off-the-shelf (COTS) technologies. Armscor, in conjunction with Directorate Technology Development, is best positioned to identify technology opportunities and to practically manage such rapid projects. Is there a process for this purpose and are such project managers, in Armscor and in the SANDF, trained for this purpose?
  - vi. A pool of prioritised and sustainable equipment, some of which undergoing affordable modernisation, must be identified. Each system must be accompanied by a new baseline for lifecycle management, including draft budgets for the foreseen missions and workloads and the implications for industry of changing those budgets. This new plan will reduce surprises for Armscor, the SANDF and industry. Ideally, fluid multiyear demands can be channelled to industry in a manner that avoids inconsistent expectations and their associated negative effects.
- b. Armscor as a Strategic Level and Proactive Partner in Defence Planning. The following adaptations would improve the value of Armscor to the SANDF in its current context:
  - i. An Armscor environmental scan that focuses on the emerging issues that may confront the SANDF in the future would be useful to SANDF long-term planning. It needs to be below the typical PESTEL analysis and above the environmental analysis for specific product systems. Specific future threats and possible opportunities must be foreseen in advance, to ensure the modernisation of the SANDF. Possible focus areas that would fit well between Armscor's engineering-type expertise and the SANDF's long-term planning could focus on expertise areas (called functional areas in the SANDF). The areas and the kind of issues for which insight is required are demonstrated in the following:
    - (1) How is the world of sensing changing, in all the domains of our battlespace? When will space-based or airborne synthetic aperture radar be reliably available and how must it influence the SANDF's approach to its pool of targeting sensors?
    - (2) How will the rapid evolution of artificial intelligence and commercial developments to track equipment, influence the Planning, Tasking and Controlling function of headquarters?
    - (3) Armscor has expertise that was, for example, used to return equipment from the mission in Darfur. It is routinely involved in contracting transport to specific SANDF mission areas in the Southern African Development Community (SADC). How can Armscor's knowledge of the evolution of infrastructure in SADC be repackaged to add value to the force projection area of defence forecasting?
    - (4) Sensing and firepower are key for protecting a military entity at the tactical level, and Armscor understands this well when it supports the SANDF in requirements development for product systems. Force protection lies at a higher level and it is probable that Armscor engineers can provide useful insights if they elevate their focus.



- (5) Similar examples can be provided for the two remaining functional areas: affecting/firepower and sustaining.
  - ii. Chief Military Policy, Strategy and Planning (CMPSP) maintains six teams that are organised to cover the six functional areas indicated above. Armscor can arrange its expertise to interact with these teams and thereby support long-term defence planning. These integrated Armscor/SANDF Functional Area Teams could morph from long-term planning at System Level 8 (capability development) to solutions for capability gaps in the shorter term (capability management).

#### The requirement for safe guarding the Nation

A crisis provides the energy and focus that can lead to innovation. The current crisis must be leveraged to adapt and introduce a different approach than the historic one. In summary, it would be much appreciated if Armscor can transform towards the following:

- i. Elevate the level of advice to the SANDF to the higher levels of the Systems Hierarchy (above System Level 6 and with a specific bias towards born-joint, innovative and modernising solutions). This implies a specific relationship and an Armscor/SANDF interaction forum above the level of Services, routinely involving entities at CMPSP.
- ii. Change from a mostly reactive approach to a more proactive approach, foreseeing logistic problems and technology threats before they occur, but also foreseeing innovation or technology opportunities that can be leveraged into SANDF modernisation. This implies a new and strategic approach to defence technology development and the environmental scanning function. Is the historic approach of structuring defence technology development according to the battlespace domains/Services (Land, Air, Maritime) and engineering disciplines still the optimal approach or must the Functional Area approach (Sense, Plan, Task, Control, Project, Affect, Protect and Sustain) be investigated as an alternative?
- iii. An Armscor industry analysis and projection function is required to sensitise SANDF planners to the viability and implications of their lifecycle management plans, to indicate the imminent demise of certain industry members to the SANDF, and to propose win-win actions between the many parties involved.
- iv. A rework of logistics analysis for main equipment as done during the acquisition phase, to reflect the data gained from the time of commissioning and to project requirements for different mission types in the future.
- v. Dedicated expertise is required for the rapid spinning in of technology. It is assumed that such expertise will straddle the Armscor Research and Development and Armscor Acquisition functions.

Creating a single entry point for SANDF requirements at Armscor could be considered. This entry point would ensure that the SANDF requirement attracts the multidisciplinary attention that is required, instead of being allocated to the best-match Armscor organisation that may not add all the additional value implied above.

## **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 Compact.

This Shareholder 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 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 Compact is revised annually.

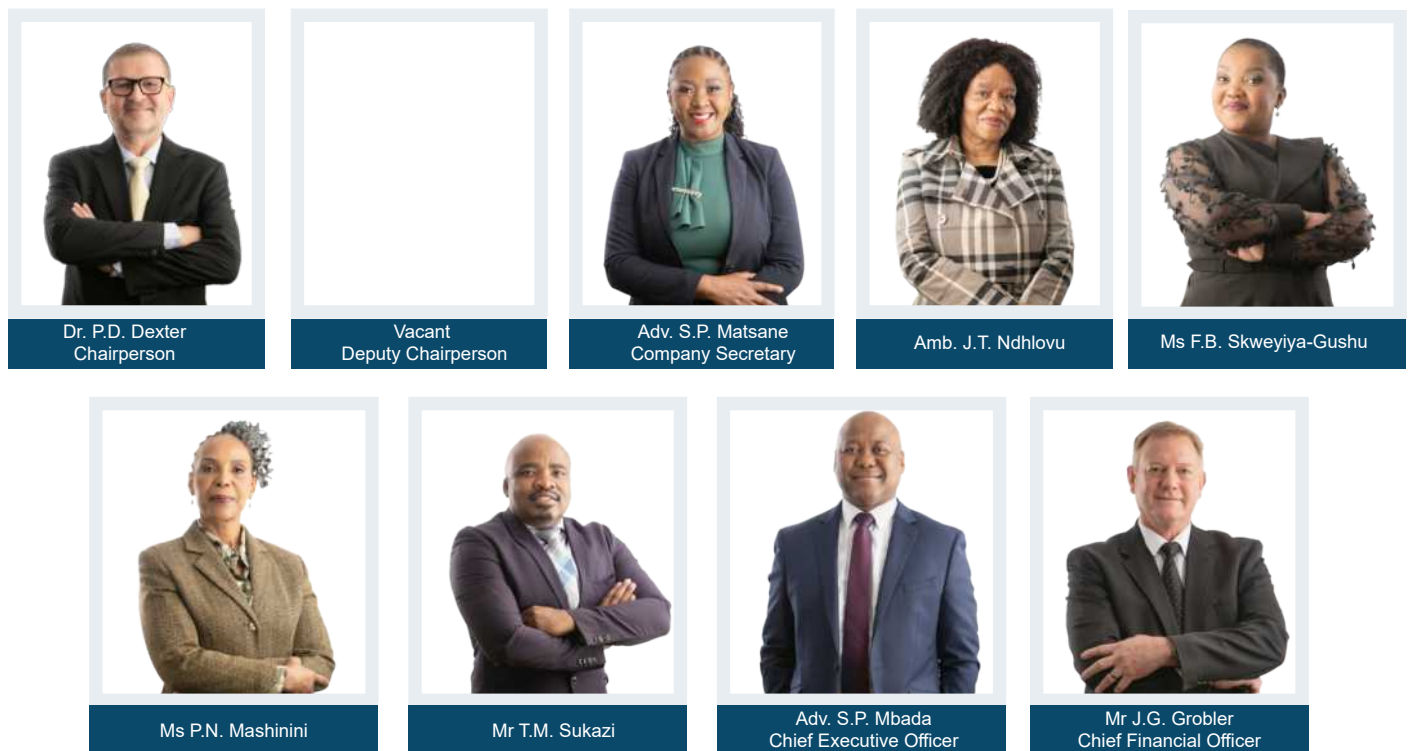
The management and control of Armscor resides with the Board of Directors, led by a non-executive Chairperson and a Deputy Chairperson. To execute its responsibilities effectively and maintain accountability, the Board established a number of committees:

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

**Figure 11: 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; and
- Armscor Dockyard.

Supporting Functions:

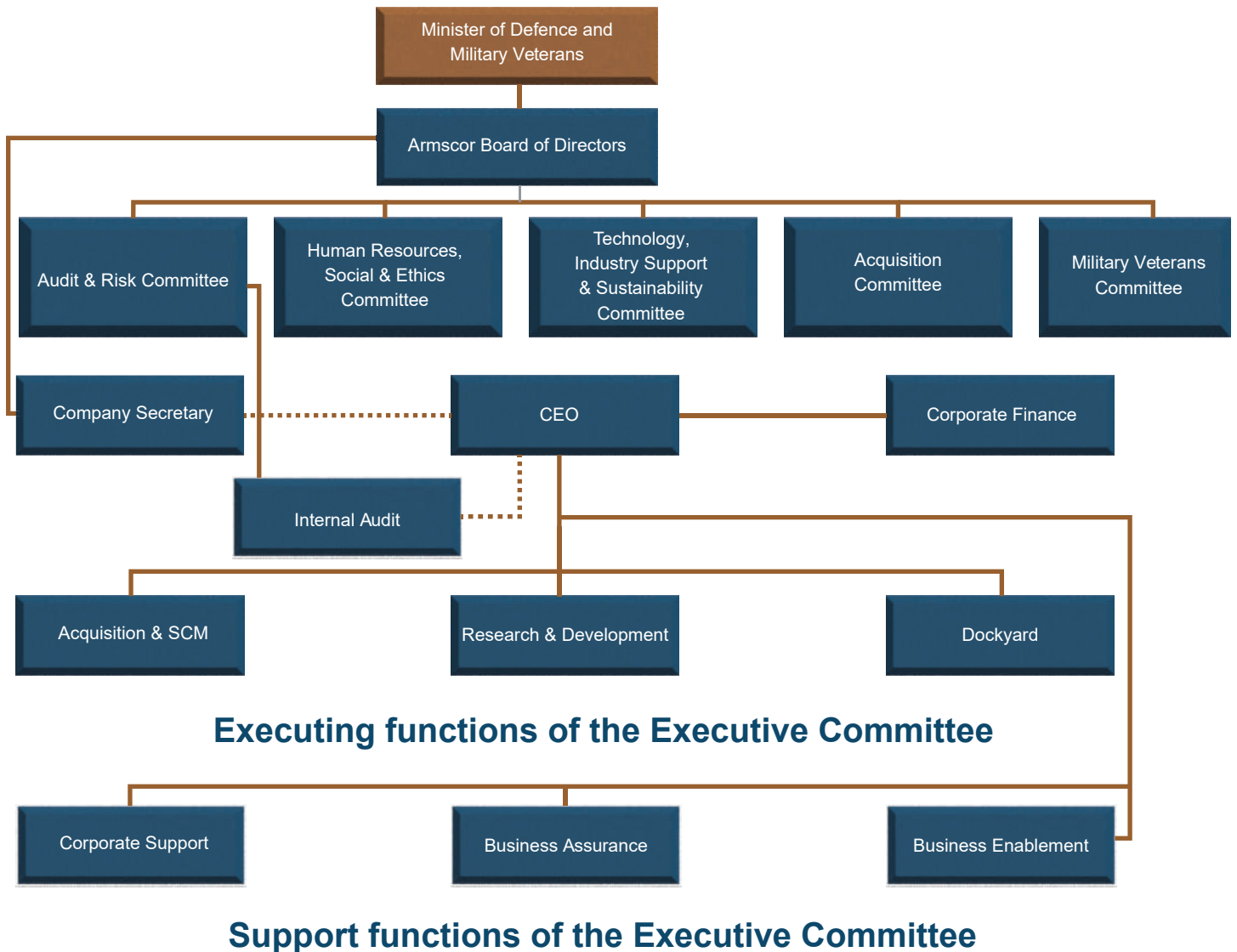
- Corporate Finance;
- Corporate Support;
- Business Assurance; and
- Business Enablement.

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 12 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 12: 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:**
  - a) acquisition of Category 1 Defence matériel, facilities, and services, including the management of all technology development and retention projects for the DOD;
  - b) procurement of Category 1 Defence matériel, facilities, and services, in accordance with the operational requirements of the DOD;
  - c) acquisition and procurement of Category 2 matériel, as specifically tasked by the DOD (provided for in the Armscor Act);
  - d) provision of Product System Management Support services, as tasked and reflected in the appropriate requirement

- plans of the services of SANDF;
- e) quality management related to the primary functions;
  - f) management and monitoring of the DIP programmes in order to maintain a defence industrial base, focused on strategically essential technologies, capacities, and capabilities;
  - g) administration and assurance of Arms Control Compliance requirements for Category 1 matériel acquisition, procurement, and Product System Management Support;
  - h) disposal of excess, forfeited, redundant, or surplus defence matériel, in consultation with the DOD and the relevant industries;
  - i) support and maintenance of such strategically essential defence industrial capabilities, resources, and technologies, as may be directed by the DOD;
  - j) 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:
    - i The Gerotek Test Facilities – vehicle and component testing.
    - ii Armour Development – R&D to maintain and advance armour protection technologies.
    - iii 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.
    - iv Alkantpan Test Range – ballistic testing.
    - v Institute for Maritime Technology (IMT) – maritime research.
    - vi Protechnik Laboratories – chemical and biological defence research.
    - vii Ergonomics Technologies (ERGOTECH) – ergonomics research.
    - viii Hazmat – impregnation of activated carbon and manufacturing respiratory products.
    - ix 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.
    - x Cyber Security.
  - k) management of the Armscor Dockyard as a strategic facility of the South African Navy, to be available for service provision to the DOD;
  - l) management of the capabilities mentioned in h) and i) above;
  - m) 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 South African 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 Annual Performance Plan (APP), Castle Control Board and the Military Ombud APPs, 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 2024/25 Financial Year (Table 2 - Table 4)**

**Table 2: Armscor's Human Capital for 2024/25 Financial Year**

Armscor Group	Total Permanent Employees	Total Contract Employees (excl. TDPs & Ledger fund)	Talent Development Programme (TDP)	Total Employees
Armscor (Excluding R&D)	596	14	18 + 10 Trainees	638
Research & Development	293	26	12	331
Armscor Dockyard	386	6	4	396
Armscor Group	Total Permanent Employees	Total Contract Employees (excl. TDPs & Ledger fund)	Talent Development Programme (TDP)	Total Employees
<b>TOTAL</b>	<b>1275</b>	<b>46</b>	<b>44</b>	<b>1 365</b>

**Table 3: Armscor's Human Capital for 2024/25 Financial Year – Females**

STAFF PROFILE AT 06 FEBRUARY 2024					
OCCUPATIONAL CATEGORY	AF	CF	IF	WF	Total Females
Top Management	1	0	0	0	1
Senior Management	20	0	0	1	21
Middle Management	117	8	4	22	151
Skilled	177	43	11	31	262
Semi Skilled	16	8	0	0	24
Unskilled	46	8	0	0	54
TDP 's	22	0	0	0	22
Fixed Term Contractors	11	18	0	0	29
<b>Grand-Total</b>	<b>410</b>	<b>85</b>	<b>15</b>	<b>54</b>	<b>564</b>
<b>% Representation</b>	<b>0,41</b>				

**Figure 13: Armscor's Human Capital for 2024/25 Financial Year – Employees with Disabilities**

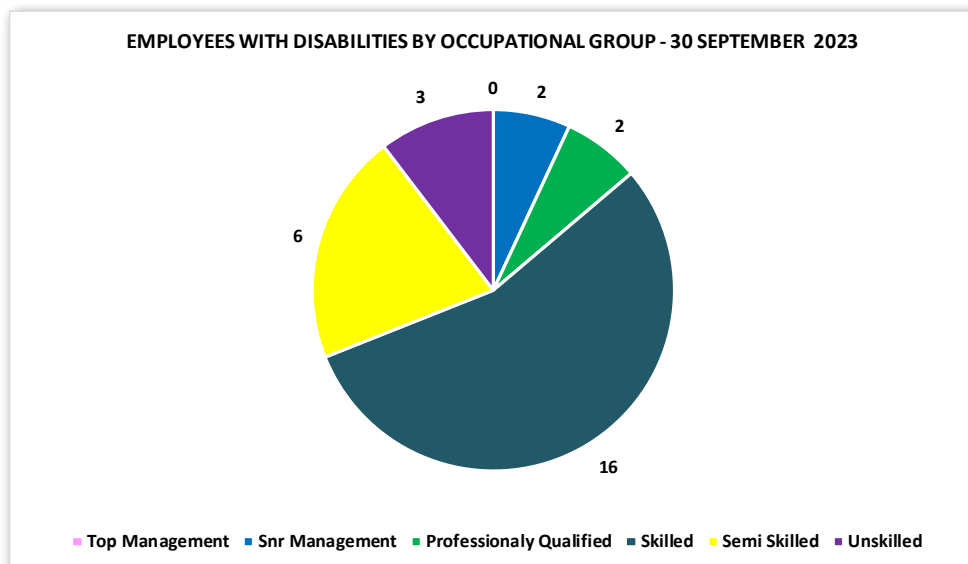


Table 4: Armscor's Human Capital for 2024/25 Financial Year – Males/Females

OCCUPATIONAL LEVEL	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Management	2	2	0	0
Professional Qualified	2	4	0	2
Skilled	5	3	11	5
Semi-skilled	2	4	4	6
Unskilled	3	1	0	0
<b>TOTAL</b>	<b>14</b>	<b>14</b>	<b>15</b>	<b>13</b>



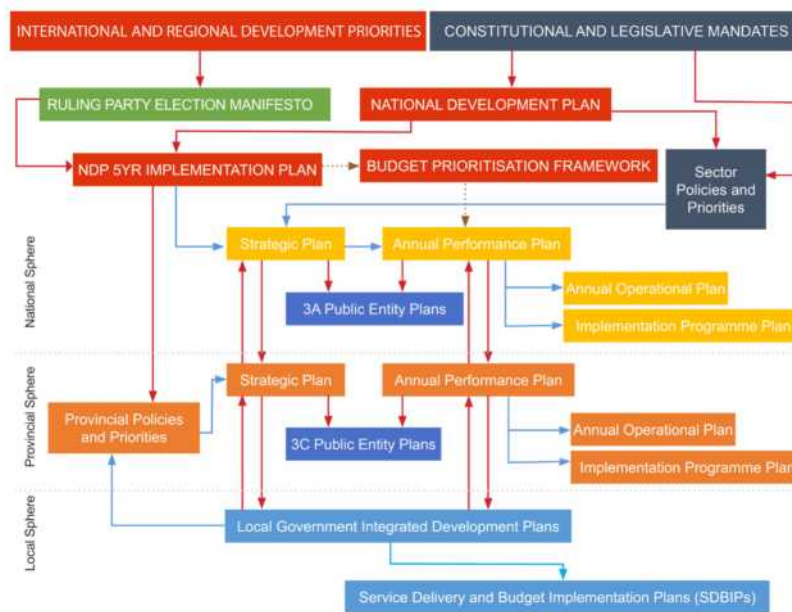
# PART C:

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, and 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 Strategic Plans (SPs) and APPs and as reflected in Figure 14.

Figure 14: 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.

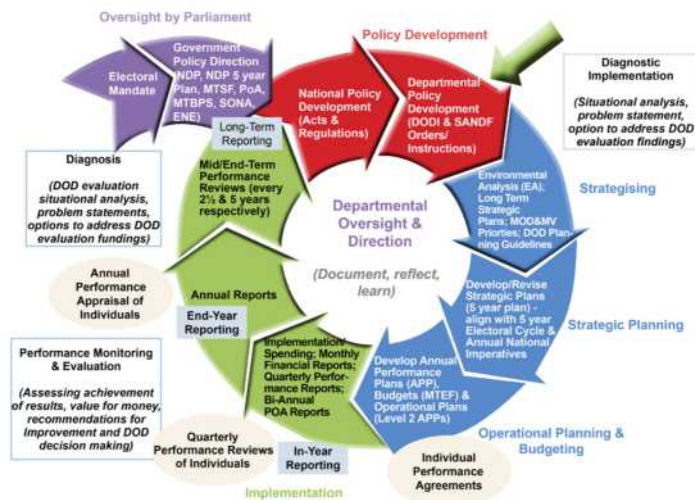
Armscor performance information management, focuses strategically on meeting Armscor's mandate and support the defence mandate, as aligned with the intent and priorities of Government, to ensure the delivery of value to the citizens of South Africa. The National Planning, Budgeting, and Reporting Cycle is outlined in Figure 15, to which Armscor is aligned.

Figure 15: National Planning, Budgeting and Reporting Cycle



The Armscor Cycle is outlined in Figure 16, with a subsequent brief description of each of the main components of the cycle.

**Figure 16: 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 Phases:

- Phase 1 Oversight by Parliament (Purple):** 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.
- Phase 2 Armscor Policy Development (Red):** 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.
- Phase 3 Armscor Strategy Development (Blue):** 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.
- Phase 3 Armscor Planning and Budgeting (Blue):** The planning and budgeting component of the Armscor Cycle informs the development of the extended long-term Development Plan 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.
- Phase 4 Implementation (Green):** 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.
- Phase 4 Monitoring and Evaluation (Green):** 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 17, as stated in the Armscor Corporate Plan.

- [Armscor Results-Based Model Overview](#)

Armscor Results-Based Model<sup>16</sup> is developed in alignment with the National Treasury "Logic/Results-Based Model" (Figure 17) 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 17: Key Performance Information Concepts (Results-Based Model)

#### INPUTS

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

- **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.

<sup>16</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.

- **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 Armscor.
- **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 19) was developed in conjunction with the DOD. It is in support and aligned with the DOD Results-Based Model (Figure 18), which is also in accordance with the National Treasury Framework on Strategy and Programme Performance Information.

**Figure 18: Department of Defence Results-Based Model**

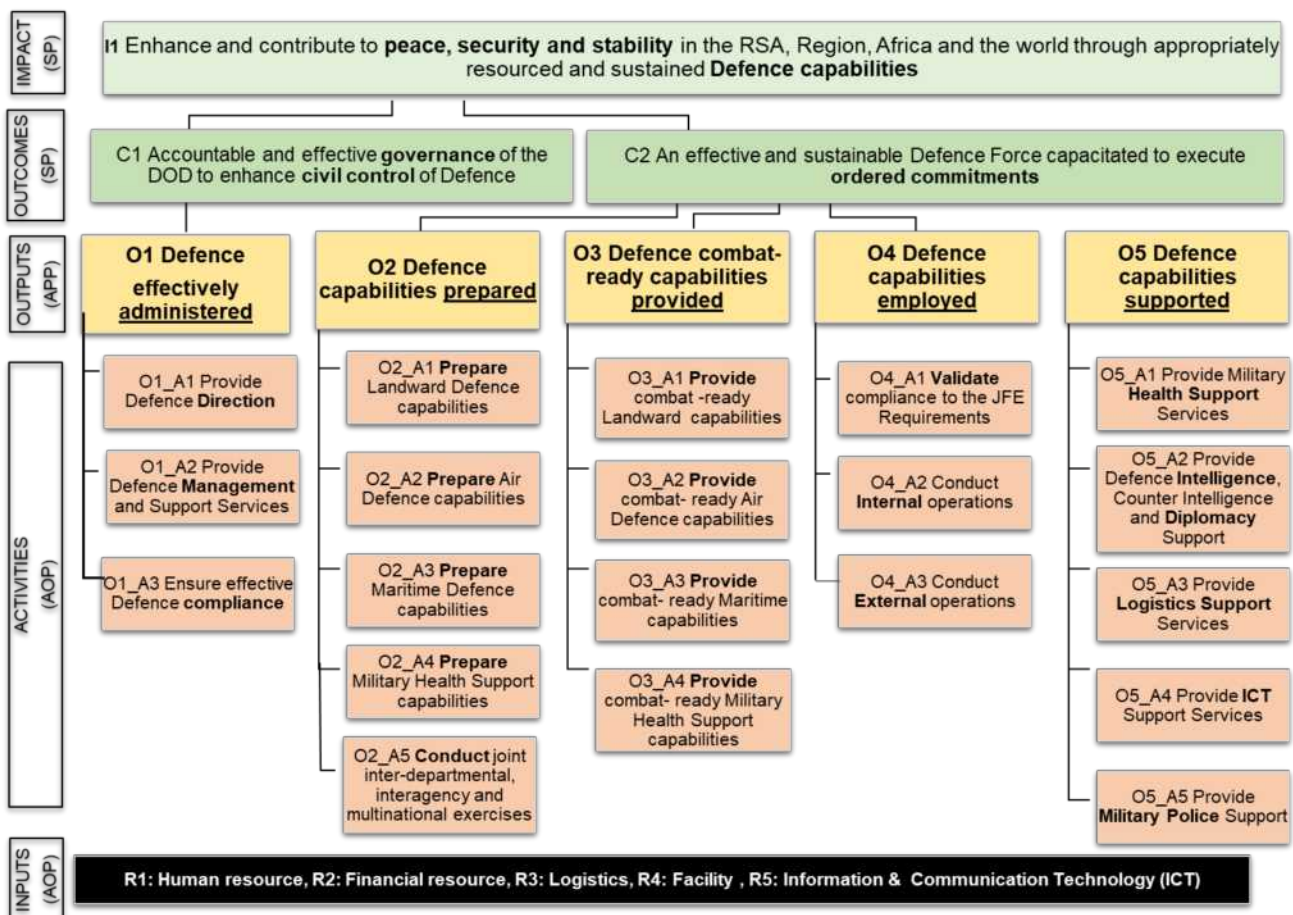
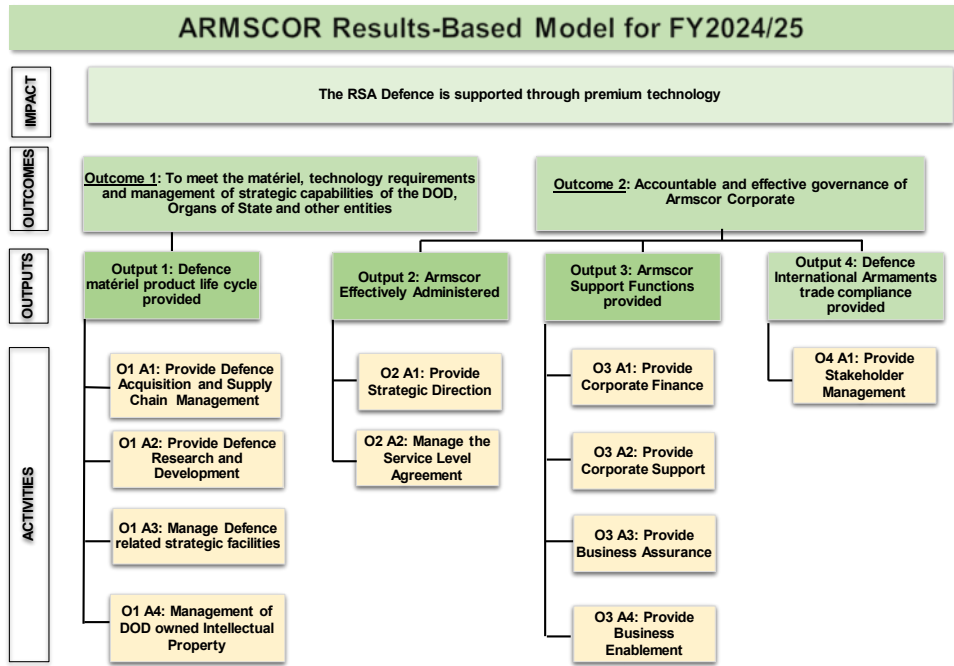


Figure 19: Armscor Results-Based Model



RESTRICTED

**ARMSCOR OUTCOMES, OUTPUTS AND OUTPUT PERFORMANCE INDICATORS AND TARGETS FOR THE MEDIUM-TERM STRATEGIC FRAMEWORK**

**ARMSCOR IMPACT STATEMENT**

Table 5: Impact Statement

<b>Impact Statement</b>	The RSA Defence is supported through premium technology
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The **Armscor Impact Statement** seeks to show Armscor’s ongoing endeavours to deliver the equipment and services required by the Department of Defence to fulfil its role in the RSA and Internationally.

**MEASURING OF THE ARMSCOR OUTCOMES**

The detailed performance Outcomes in support of the above Armscor Impact

Table 6: Measuring of Armscor Outcomes

No.	Armscor Outcomes
	Foundational MTSF Pillar 2: “Capable South Africans”, 2019 - 2024 Revised MTSF Apex Priority 6: “Social Cohesion and Safer Communities” Foundational MTSF Pillar 3: “Capable Developmental State”, 2019 - 2024 Revised MTSF Apex Priority 7: “A Better Africa and World”
1	To meet the matériel, technology requirements and management of strategic capabilities of the DOD, Organs of State and other entities.
	Foundational MTSF Pillar 3: “Capable Developmental State”, 2019-2024 Revised MTSF Apex Priority 1: “A Capable, Ethical and Developmental State”
2	Accountable and effective governance of Armscor Corporate.

- **Outcome 1: “To meet the matériel, technology requirements and management of strategic capabilities of the DOD, Organs of State and other entities”** This Outcome measures the execution of defence operational commitments as ordered by Government through Memoranda of Agreement, directives and instructions. These commitments include internal and external operations.
- **Outcome 2: “Accountable and effective governance of Armscor Corporate”** This Outcome measures the extent to which Armscor adheres to Government legislative prescripts and the controls that are established to ensure compliance thereto in support of achieving Armscor’s mandate and national imperatives of government (2019 - 2024).

**ARMSCOR OUTCOME PERFORMANCE INDICATORS**

Armscor Outcome Performance Indicators are directly related to/aligned with the Armscor mandate and the 2019 - 2024 Revised MTSF Apex Priorities of Government as provided below:

**Table 7: Armscor Outcome 1 Performance Indicator Description**

Armscor Outcome 1	To meet the matériel, technology requirements and management of strategic capabilities of the DOD, Organs of State and other entities
<p><b>Short Definition</b></p>	<p>This Armscor Outcome relates to defence capabilities enhanced, maintained and ready.</p> <p>Armscor renders acquisition management to the DOD and the SANDF throughout the life cycle of a product. To this end the objectives of Armscor are to meet:</p> <ul style="list-style-type: none"> <li>• the defence matériel requirements of the DOD effectively, efficiently, and economically; and</li> <li>• the defence technology, research, development, analysis, and test and evaluation requirements of the DOD effectively, efficiently, and economically.</li> </ul> <p>Armscor provides the following services to the DOD with regard to the Armscor Dockyard:</p> <ul style="list-style-type: none"> <li>• Management of the Armscor Dockyard as a strategic facility of the South African Navy, to be available for service provision to the DOD. Provision of support services to satisfy the South African Navy’s fleet requirements.</li> </ul> <p>The Armscor Act makes provision that Armscor may execute its functions as provided in the Act on behalf of any organ of state, or sovereign state subject to Ministerial approval and in line with the relevant national and international regulations. To that end, Armscor has extended its services [beyond its primary client, the SANDF] to other state security entities to bring about synergies, standardisation and benefits of economies of scale which such entities may not acquire on an individual basis.</p>
<p><b>Legislative Mandate and Regulatory Framework Link</b></p>	<p>Armscor Act No. 51 of 2003 Section and regulations: 3(1)(a)(b), 4(2)(a)-(f) and (L)</p>
<p><b>Baseline</b></p>	<p>Commitments relate to the Executed Ordered Tasks through the execution of relevant treaty obligations (Peace Support Operations), ordered Presidential tasks, assisting Civil Authorities as ordered and contributing to the developmental agenda of Government.</p>
<p><b>Justification</b></p>	<p>Armscor Outcome 1 relates to the degree to which the ordered Defence commitments contribute to promoting peace, stability and security in the RSA, the SADC region, the African continent and the World.</p>
<p><b>Links</b></p>	<p>Foundational MTSF Pillar 2: “Capable <i>South Africans</i>”, and 2019-2024 Revised MTSF Apex Priority 6: “<i>Social Cohesion and Safer Communities</i>”.</p> <p>Foundational MTSF Pillar 3: “<i>Capable Developmental State</i>”, 2019-2024 Revised MTSF Apex Priority 7: “<i>A Better Africa and World</i>”.</p>

**Table 8: Armscor Outcome 2 Performance Indicator Description**

Armscor Outcome 2	Accountable and effective governance of Armscor Corporate
<b>Short Definition</b>	The Armscor Outcome is related to appropriate organisational form and structure, effective, efficient and economic resource administration (human resource, financial, logistic and information); including the establishment of internal administrative policies, systems, controls and internal and external assurance mechanisms to direct, manage, monitor, control and report on the resources allocated to the DOD.
<b>Legislative Mandate and Regulatory Framework Link</b>	Armscor Act No. 51 of 2003 Section and regulations: 3(2)
<b>Baseline</b>	All activities and principally administrative activities that ensure or enhance effective and efficient Armscor compliance with the National Regulatory Frameworks.
<b>Justification</b>	The importance of Outcome 2 relates to the degree to which Armscor adheres to and abides by the National Legislation and Regulatory Frameworks, to ensure transparency, accountability, governance, compliance and good citizenship in general.
<b>Links</b>	Foundational MTSF – Pillar 1: “A Strong and Inclusive Economy”. 2019-2024 Revised MTSF Apex Priority 2: “Economic Transformation and Job Creation”. Foundational MTSF – Pillar 2: “Capable South Africans”, 2019-2024 Revised MTSF Apex Priority 6: “Social Cohesion and Safer Communities”. Foundational MTSF - Pillar 3: “A Capable Developmental State”. 2019-2024 Revised MTSF Apex Priority 1: “A capable, ethical and developmental state”. Department of Women, Children and Persons with Disabilities National Strategic Plan (2020-2032): Women, Youth and Persons with Disabilities.

**ARMSCOR OUTPUTS**

Armscor Outputs are defined as “*what Armscor produces or delivers*” and includes the final resourced products, goods and services produced for delivery against the defence mandate. The Armscor Outputs are in support of the Armscor Outcome Performance Indicators, as reflected in Table 6, 7 and 8 above. The Armscor Outputs are reflected in Table 9 below:

**Table 9: Armscor Outputs**

Armscor Output	Armscor Output Short Description
<b>Armscor Output 1 (O1): Defence matériel product life cycle provided</b>	The Armscor Output relates to “employ Defence capabilities” enhanced, maintained and ready, including an operational capability, to successfully conduct mandated internal and external operations.
<b>Armscor Output 2 (O2): Armscor Effectively Administered</b>	The Armscor Output 2 “Armscor effectively administered” includes departmental policies, strategies and plans, departmental management and support services, as well as departmental compliance, internal assurance provision and risk management functions.
<b>Armscor Output 3 (O3): Armscor Support Functions provided</b>	The purpose of this Armscor Output 3 is to provide Financial, Business Assurance and Corporate support to the Executing Functions.
<b>Armscor Output 4 (O4): Defence International Armaments trade compliance provided</b>	This Armscor Output is aligned to the National Conventional Arms Control Committee (NCACC) Act, No.41 of 2002, Non-proliferation Act, No. 87 of 1993, Firearms Control Act, No. 60 of 2000, Explosives Act, No. 26 of 1956 and requirements of supplier countries. Furthermore, the Armscor Output provides marketing support to Defence-related industries, in respect of defence matériel, in consultation with the DOD, and the Defence-related industries in question.

**16. IMPACT STATEMENT: THE RSA DEFENCE IS SUPPORTED THROUGH PREMIUM TECHNOLOGY:  
OUTCOME 1: TO MEET THE MATÉRIEL, TECHNOLOGY REQUIREMENTS AND MANAGEMENT OF STRATEGIC  
CAPABILITIES OF THE DOD, ORGANS OF STATE AND OTHER ENTITIES.**

**OUTCOME 2: ACCOUNTABLE AND EFFECTIVE GOVERNANCE OF ARMSCOR CORPORATE**

**16.1 Armscor's Service Delivery Indicators<sup>17</sup>**

The Service Level Agreement between Armscor and the DOD, as reflected in Table 10, specifies targets to be aimed for:

**Output 1: Defence matériel product life cycle provided**

**16.1.1 Output 1 (A1): Provide Defence Acquisition and Supply Chain Management: 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.

**16.1.2 Output 1 (A1): Provide Defence Acquisition and Supply Chain Management: 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.

**16.1.3 Output 1 (A1): Provide Defence Acquisition and Supply Chain Management: Management of Defence Industrial Participation (Goal 4)**

The output is defined as follows:

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

**16.1.4 Output 1 (A2): Provide Defence Research and Development: 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.

**16.1.5 Output 1 (A3): Manage Defence related strategic facilities: Performance against mandate (Goal 6)**

The output is defined as follows:

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

**16.2 Output 1 (A4): Management of DOD owned Intellectual Property: Effective Technology and IP Management**

- Participate and execute the Technology Development Master Plan, conduct research to sustain and grow defence technology base, maintain and sustain strategic test capabilities.
- Effective management of IP-related technologies.

<sup>17</sup> Aligned to National Treasury Regulations for Public Entities Schedule 2, with a three-year focus.



**OUTCOME 1: TO MEET THE MATÉRIEL, TECHNOLOGY REQUIREMENTS AND MANAGEMENT OF STRATEGIC CAPABILITIES OF THE DOD, ORGANS OF STATE AND OTHER ENTITIES.**

**Output 1: Defence matériel product life cycle provided**

**O1 A1: Provide Defence Acquisition and Supply Chain Management**

- **CAT 1 CAPITAL DEFENCE MATÉRIEL ACQUISITION, EXCLUDING STRATEGIC DEFENCE ACQUISITION, INCLUDING TECHNOLOGY ACQUISITION (SLA: Goal 1)**

**Table 10: Armscor's Service Delivery Indicators**

Armscor Outcome	Armscor Output	Armscor Output indicator	Programme/ Output/ Activity	Audited/Actual performance		Estimate Performance	Medium-term targets		
				2020/21	2021/22		2022/23	2023/24	2024/25
To meet the matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities.	Defence matériel product life cycle provided.	<p>1.1 Percentage of DOD Capital requirements converted into orders placed.</p> <p>Capital requirements will be registered upon approval of the Project Study Report by the DOD and the Functional Baseline by Armscor, and confirmation by the DOD of funds availability.</p> <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 3A requirements from the DOD).</p> <p>(Factors beyond Armscor's control preventing the conversion into orders will be excluded from the achievement against the target, i.e. receipt of requirement, cancellation of requirement, insufficient / lack of funding, provided that the request has been received by Armscor before the beginning of Quarter 4 of the financial year).</p>	Service Level Agreement	98,23%	100%	100%	95%	95%	95%

Armsscor Outcome	Armsscor Output	Armsscor Output indicator	Programme/ Output/ Activity	Audited/Actual performance				Estimate Performance	Medium-term targets		
				2020/21	2021/22	2022/23	2023/24		2024/25	2025/26	2026/27
		1.2 Percentage 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 Armsscor's control. Any adjustment deemed to be beyond Armsscor's control that is due to the user or the DOD will be done with the consent of the DOD). Letters signed by the DOD and indicating the estimated amounts that will roll over per contract will support adjustments deemed to be beyond Armsscor's control.	Service Level Agreement	97,39%	107,42%	107,36%	95%	95%	95%	95%	

### Quarterly Targets

	Armsscor Output Indicator:	Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		2024/25	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.1	Percentage of DOD Capital requirements converted into orders placed. Capital requirements will be registered upon approval of the Project Study Report by the DOD and the Functional Baseline by Armsscor, and confirmation by the DOD of funds availability. (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 3A requirements from the DOD). (Factors beyond Armsscor's control preventing the conversion into orders will be excluded from the achievement against the target, i.e. receipt of requirement, cancellation of requirement, insufficient / lack of funding, provided that the request has been received by Armsscor before the beginning of Quarter 4 of the financial year).	95%	-	-	-	95%

Armstrong Output Indicator:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.2	Percentage 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 Armstrong's control. Any adjustment deemed to be beyond Armstrong's control that is due to the user or the DOD will be done with the consent of the DOD). Letters signed by the DOD and indicating the estimated amounts that will roll over per contract will support adjustments deemed to be beyond Armstrong's control.	95%	-	-	-	95%

**Output 1: Defence matériel product life cycle provided**

**O1 A1: Provide Defence Acquisition and Supply Chain Management**

- **System Support Acquisition and Procurement (SLA: Goal 2)**

Armcor Outcome	Armcor Output	Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Estimate Performance	Medium-term targets		
				2020/21	2021/22	2022/23		2023/24	2024/25	2025/26
To meet the matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities.	Defence matériel product life cycle provided.	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 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. (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).</li> </ul> (Factors beyond Armcor's control preventing the conversion into orders will be excluded from the achievement against the target, i.e. receipt of requirement, cancellation of requirement, insufficient / lack of funding, provided that the request has been received by Armcor before the beginning of Quarter 4 of the financial year).	Service Level Agreement	98,34%	96%	90,03%	95%	95%	95%	95%

Armcor Outcome	Armcor Output	Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Estimate Performance	Medium-term targets		
				2020/21	2021/22	2022/23		2023/24	2024/25	2025/26
		2.2 Percentage 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 Armcor's control. Any adjustment deemed to be beyond Armcor's control that is due to the user or the DOD will be done with the consent of the DOD). Letters signed by the DOD and indicating the estimated amounts that will roll over per contract will support adjustments deemed to be beyond Armcor's control.	Service Level Agreement	96,27%	103,20%	101,67%	95%	95%	95%	95%

## Quarterly Targets

Armstrong Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
<p>2.1</p> <p>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 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> <p>(Factors beyond Armstrong's control preventing the conversion into orders will be excluded from the achievement against the target, i.e. receipt of requirement, cancellation of requirement, insufficient / lack of funding, provided that the request has been received by Armstrong before the beginning of Quarter 4 of the financial year).</p>	2024/25  95%	-	-	-	95%
<p>2.2</p> <p>Percentage 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 Armstrong's control. Any adjustment deemed to be beyond Armstrong's control that is due to the user or the DOD will be done with the consent of the DOD). Letters signed by the DOD and indicating the estimated amounts that will roll over per contract will support adjustments deemed to be beyond Armstrong's control.</p>	95%	-	-	-	95%

**Output 1: Defence matériel product life cycle provided**

**O1 A1: Provide Defence Acquisition and Supply Chain Management**

- **Schedule Placement (SLA: Goal 3)**

Armcor Outcome	Armcor Output	Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Estimate Performance	Medium-term targets					
				2020/21	2021/22	2022/23		2023/24	2024/25	2025/26	2026/27		
To meet the matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities.	Defence matériel product life cycle provided.	<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 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, as measured on the Armcor Business Register).</p>	Service Level Agreement  Days for shortened process commercial off-the-shelf (COTS) items  Days for non-COTS and Product Support General Defence Accounts (GDA) procurement  Days for Special Defence Account (SDA) acquisition programmes (SDA acquisition includes capital and technology acquisition)	64,65 days for shortened process COTS items	78 days for shortened process COTS items	86 days for shortened process COTS items	90 days for shortened process COTS items	90 days for shortened process COTS items	90 days for shortened process COTS items	120 days for non-COTS and Product Support GDA procurement	120 days for non-COTS and Product Support GDA procurement	140 days for SDA* acquisition programmes	140 days for SDA* acquisition programmes

Note: \* Relates to historical programmes

## Quarterly Targets

Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
<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 14 working days;</li> <li>completion of sourcing process; and approval and placement of order.</li> </ul> <p>3.1 (Time taken from registration of requirement to placement of contract-excluding time required for FA approval, as measured on the Armscor Business Register).</p>	<p>2024/25</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

## Output 1: Defence matériel product life cycle provided

### O1 A1: Provide Defence Acquisition and Supply Chain Management

- MANAGEMENT OF DEFENCE INDUSTRIAL PARTICIPATION (SLA: Goal 4)

Armscor Outcome	Armscor Output	Output indicator	Programme/ Output/ Activity	Audited/Actual performance				Estimate Performance	Medium-term targets	
				2020/21	2021/22	2022/23	2023/24		2024/25	2025/26
To meet the matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities.	Defence matériel product life cycle provided.	4.1 Value of Defence Industrial Participation credits to be granted.	Service Level Agreement	R95,76m	R260,04m	R26,62m	R50,33m	R1,21m	R1,16m	R1,62m



**NOTES:**

- The planning for DIP has to drastically change due to, in the main, two major events. Over performance of Damen (with respect to Biro Project) in the previous financial years and the halting of activities by Obligors with respect to Project Hotel.
- Damen overachieved in the two years preceding the last financial year. Damen and Armscor could not agree to terms of a proactive agreement as these terms were not in line with Armscor Policy, as a result Damen halted all further claims. They are currently ahead of the planned DIP Discharge.
- On Project Hotel, the Obligors stopped activities due to challenges with the Prime Contractor. Therefore, the Business Plans have to be revised. The figures involved are large and therefore result in a huge drop in terms of targets that can be set for claims.

**Quarterly Targets**

Output Indicator:		Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
4.1	Value of Defence Industrial Participation credits to be granted.	R1.21m	-	-	R0,605m	R0,605m

**Output 1: Defence matériel product life cycle provided**

**O1 A1: Provide Defence Research and Development**

- **Management and execution of defence technology, research, test and evaluation and IP management requirements (strategic facilities and capabilities) of the DOD (SLA: Goal 5)**

Armscor Outcome	Armscor Output	Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Estimate Performance	Medium-term targets		
				2020/21	2021/22	2022/23		2023/24	2024/25	2025/26
To meet the matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities.	Defence matériel product life cycle provided.	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	97,50%	97,86%	51,68%	95%	95%	95%	95%

## Quarterly Target

Output Indicator:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2024/25	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%

## Output 1: Defence matériel product life cycle provided

### O1 A1: Manage Defence related strategic facilities

- Management and performance against Dockyard mandate (South African Navy/Dockyard performance management in terms of Service Level Agreement with the South African Navy)(SLA: Goal 6)

Armscor Outcome	Armscor Output	Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Estimate Performance	Medium-term targets		
				2020/21	2021/22	2022/23		2024/25	2025/26	2026/27
To meet the matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities.	Defence matériel product life cycle provided.	6.1 Percentage of project tasking and job cards executed. (Adherence to project tasking as approved in the project plan and execution of the adhoc activities). 6.1.1 Projects (Special projects/Docking Essential Defects (DED)/ Refit). 6.1.2 Adhoc activities (daily job requests: Assisted Maintenance Period (AMP) support, Operational Defect (OPDEF).	Service Level Agreement	92,5%	82%	94%	90%	90%	90%	90%

Armcor Outcome	Armcor Output	Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Estimate Performance	Medium-term targets		
				2020/21	2021/22	2022/23		2023/24	2024/25	2025/26
		6.2 Percentage of compliance to project finance. (Manage project finances in accordance with approved financial authorities and cash-flow plan).	Service Level Agreement	99,9%	50%	75%	90%	90%	90%	90%
		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	100%	100%	99,4%	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%	100%	100%	100%	100%
		6.5 Percentage compliance with quarterly report timelines. (Supply quarterly reports to Flag Officer Fleet that addresses inter-alia project performance status, financial statements, risks with mitigating plans, capabilities, facilities and ancillary services status reporting as per reporting timeline schedule).	Service Level Agreement	100%	100%	100%	100%	100%	100%	100%

## Quarterly Target

Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
6.1 Percentage of project tasking and job cards executed. (Adherence to project tasking as approved in the project plan & execution of the adhoc activities). 6.1.1 Projects (Special projects/Docking Essential Defects (DED)/Refit). 6.1.2 Adhoc activities (daily job requests: Assisted Maintenance Period (AMP) support, Operational Defect (OPDEF).	2024/25  90%	-	-	-	90%
6.2 Percentage of compliance to project finance. (Manage project finances in accordance with approved financial authorities and cash-flow plan).	90%	-	-	-	90%
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).	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).	100%	-	-	-	100%
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%	100%	100%	100%

Note: Key Requirements from Services (SAN) for the next MTSF, provided that funding is available, are as follows:

- The potential replacement of SAN Combat Support Ship and/or the acquisition of a Heavy Lift Capability (funding dependant).
- The potential acquisition with a 4th Multi-Mission Inshore Patrol Vessel (MMIPV) and or additional three MMIPVs (depending on Council of Defence approval and funding availability).
- The procurement (COTS/MOTS) to establish an Unmanned Systems Capability Squadron i.e. Unmanned Aerial Vehicles, Unmanned Surface Vehicles etc.
- The acquisition of Tactical and Operational Mobility Armoured Personnel Carriers for the Maritime Reaction Squadron inclusive of the Mzantsi Home guard Component (requirement raised through the SA Army).
- The procurement of CCTV systems to eliminate the exorbitant cost of outsourcing this requirement.
- The procurement of a minimum of 16 Coastal Radars to cover the complete system architecture of more than 2700 km Coastline of the RSA, that will ensure visibility of the territorial waters of the RSA, including the Marion and Prince Edward Islands (The joint approach must be maintained in the acquisition and utilisation of radars for situational awareness).

**Output 1: Defence matériel product life cycle provided**

**O1 A1: Management of DOD owned Intellectual Property**

- **Effective Technology and IP Management**

Armcor Outcome	Armcor Output	Output Indicators:	Audited/Actual Performance			Estimate Performance	Medium-term targets							
			2020/21	2021/22	2022/23		2023/24	2024/25	2025/26	2016/27				
To meet the matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities.	Defence matériel product life cycle provided.	7.1 Percentage Development and Test Services:												
		• Percentage compliance with DOD contracted work, in accordance with SLA between Armcor and DOD.	98,68%	99,72%	99%	90%	90%							
		7.2 Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of DOD Intangible Capital Assets under Armcor's management.	31 March 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025	31 March 2026	31 March 2027					
		7.3 Commercialise one IP Technology. (provided that there is an Armcor owned dual-use technology that is at Technology Readiness Level 9 and can be commercialised).	New Indicator	21 April 2021	27 January 2023	31 March 2024	31 March 2025	31 March 2026	31 March 2027					

## Quarterly Targets

Output Indicators:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
7.1 Percentage Development and Test Services: Percentage compliance with DOD contracted work, in accordance with SLA between Armscor and DOD.	2024/25  90%	-	-	-	90%
7.2 Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of DOD Intangible Capital Assets under Armscor's management.	31 March 2025	-	-	-	31 March 2025
7.3 Commercialise one IP Technology. (provided that there is an Armscor owned dual-use technology that is at Technology Readiness Level 9 and can be commercialised).	31 March 2025	-	-	-	31 March 2025

## 17. ARMSCOR'S STRATEGIC PRIORITIES

### 17.1 Armcor'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 Armcor to provide the services required from Armcor as defined in:
  - the Armaments Corporation of South Africa (SOC) Limited Act;
  - the Shareholder's Compact between Armcor's Board of Directors and the Minister of Defence and Military Veterans; and
  - the Service Level Agreement between Armcor and the DOD, as also agreed upon in the Memorandum of Agreement between Armcor and various DOD services and divisions.

### 17.2 Armcor's key strategic initiatives

Armcor's key strategic initiatives, as reviewed and programmes are set out under each of the Corporation's four strategic outputs, as reflected in Table 11.

#### 17.2.1 Strategic priorities:

Armcor 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.

Armcor 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 Armcor are:

- Armcor's main focus area is the acquisition of defence matériel for SANDF and contracting for through-life support of in-service equipment.
- Armcor'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 Unit has been established to fast-track exploitation of opportunities identified for revenue generation.

### 17.4 Categories of Performance Indicators:

Armcor's Corporate Plan defines two categories of performance indicators. The first category addresses performance indicators that measure the execution of Armcor's functions as defined in the Armcor Act and as agreed on in the Service Level Agreement with the DOD. The second category measures the attainment of the strategic outputs of the Corporation.

The Categories of both the SLA and four Strategic Output (Revenue Generation, Cost Management, Efficient and Effective Delivery, and Stakeholder Management) Performance Indicators have been aligned to Armcor's Results-Based Model.

**OUTCOME 2: ACCOUNTABLE AND EFFECTIVE GOVERNANCE OF ARMSCOR CORPORATE**

**Output 2: Armscor Effectively Administered**

**O2 A1: Provide Strategic Direction**

**Table 11: Armscor Strategic Outputs**

Armscor Outcome	Armscor Output	Output Indicator	Audited/Actual performance				Estimate Performance	Medium-term targets		
			2020/21	2021/22	2022/23	2023/24		2024/25	2025/26	2026/27
Accountable and Effective Governance of Armscor Corporate.	Armscor Effectively Administered.	1.1 Armscor's accountability documents aligned with the PFMA prescriptions.	New Indicator	New Indicator	New Indicator	New Indicator	31 March 2025	31 March 2026	31 March 2027	
			New Indicator	New Indicator	New Indicator	New Indicator	100%	100%	100%	
		1.2 Percentage compliance of Armscor to Parliamentary activities.	New Indicator	New Indicator	New Indicator	New Indicator	100%	100%	100%	

**Quarterly Targets**

Output Indicators:	Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.1 Armscor's accountability documents aligned with the PFMA prescriptions.	31 March 2025	-	-	-	31 March 2025
1.2 Percentage compliance of Armscor to Parliamentary activities.	100%	100%	100%	100%	100%



**Output 2: Armscor Effectively Administered**  
**O2 A2: Manage the Service Level Agreement**

Armscor Outcome	Armscor Output	Output Indicators:	Audited/Actual performance			Estimate Performance	Medium-term targets		
			2020/21	2021/22	2022/23		2023/24	2024/25	2025/26
Accountable and Effective Governance of Armscor Corporate.	Armscor Effectively Administered.	2.1 Review and finalise DOD and Armscor Service Level Agreement 2025/26 – 2027/28	New Indicator	New Indicator	New Indicator	New Indicator	31 March 2025	31 March 2026	31 March 2027

**Quarterly Targets**

Output Indicators:	Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
2.1 Review and finalise DOD and Armscor Service Level Agreement 2025/26 – 2027/28.	31 March 2025	-	-	-	31 March 2025

**Output 3: Armscor Support Functions provided**

**O3 A1: Provide Corporate Finance**

- Revenue Generation: Generate additional income from existing and new sources. Payment to Suppliers.

Armscor Outcome	Armscor Output	Output Indicators	Audited/Actual performance				Estimate Performance	Medium-term targets		
			2020/21	2021/22	2022/23	2023/24		2024/25	2025/26	2026/27
Accountable and Effective Governance of Armscor Corporate.	Armscor Support Functions provided.	Group Revenue.	-	-	-	-	-	R1 824,9m	R1 911,5m	R1 972m
		3.1 Other Revenue.	R1 289m	R1 429,4m	R1 444,4m	R1 407,7m	R1 341,1m	R1 406,6m	R1 443,4m	
		3.2 Revenue from existing facilities of Armscor R&D.	R341m	R238,3m	R269,9m	R371,3m	R424,7m	R445,9m	R468,2m	
		3.3 Revenue generated from the Business Enablement Unit.	R16,9m	R17,6m	R38,7m	R31,5m	R59,1m	R59m	R60,4m	
		3.4 Percentage Payments within 30 days of receipt of legitimate invoices.	New Indicator	New Indicator	New Indicator	New Indicator	95%	95%	95%	

## Quarterly Targets

Output Indicators:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Group Revenue.	R1 824,9m	R429,3m	R434,5m	R459,3m	R501,8m
3.1 Other Revenue.	R1 341,1m	R335,3m	R335,3m	R335,3m	R335,2m
3.2 Revenue from existing facilities of Armscor R&D.	R424,7m	R81,3m	R86,6m	R107,1m	R149,7m
3.3 Revenue generated from the Business Enablement Unit.	R59,1m	R12,7m	R12,6m	R16,9m	R16,9m
3.4 Percentage Payments within 30 days of receipt of legitimate invoices.	95%	-	-	-	95%

- 3.1 Other Revenue includes other commercial income, the Primary Transfer Payment and interest income.
- 3.3 The Armscor Act makes provision that Armscor may execute its functions as provided in the Act on behalf of any organ of state, or sovereign state subject to Ministerial approval and in line with the relevant national and international regulations. To that end, Armscor has extended its services [beyond its primary client, the SANDF] to other state security entities to bring about synergies, standardisation and benefits of economies of scale which such entities may not acquire on an individual basis.”

### Output 3: Armscor Support Functions provided

#### O3 A1: Provide Corporate Finance

- **Cost Management: Reduce Group costs, including finance, capital, and operating costs, to ensure zero financial deficit.**

Armscor Outcome	Armscor Output	Output Indicators	Audited/Actual performance			Estimate Performance	Medium-term targets		
			2020/21	2021/22	2022/23		2023/24	2024/25	2025/26
Accountable and Effective Governance of Armscor Corporate.	Armscor Support Functions provided.	4.1 Improve net financial position.	R124,3m surplus	R12,5 surplus	R168m surplus	R24,3m surplus	R88,8m deficit	R90,5m deficit	R93m deficit

Note: Reduced surplus due to transfer payment cut.

## Quarterly Targets

Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
2024/25					
4.1 Improve net financial position.	R88,8m deficit	R11,3 deficit	R38,3m deficit	R47,2m deficit	R8m surplus

### Output 3 : Armscor Support Functions provided

#### O3 A2: Provide Corporate Support

- Efficient and Effective Delivery: Infrastructure Renewal and Transformation of Corporation

Armscor Outcome	Armscor Output	Output Indicators	Audited/Actual performance		Estimate Performance	Medium-term targets			
			2020/21	2021/22		2022/23	2024/25	2025/26	2026/27
Accountable and Effective Governance of Armscor Corporate.	Armscor Support Functions provided.	5.1 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>		Target not achieved	-				

Armcor Outcome	Armcor Output	Output Indicators:	Audited/Actual Performance			Estimate Performance	Medium-term targets		
			2020/21	2021/22	2022/23		2024/25	2025/26	2026/27
Accountable and Effective Governance of Armcor Corporate.	Armcor Support Functions provided.	<ul style="list-style-type: none"> <li>Implementation of the approved Digitisation plan:               <ul style="list-style-type: none"> <li>Complete implementation of the Human Resource and Payroll ERP modules.</li> <li>Complete installation of a new ICT network.</li> <li>Complete digitization of data reporting and non-corporate business processes.</li> <li>Complete implementation of the Finance ERP module.</li> <li>Complete implementation of Supply Chain Management module.</li> </ul> </li> <li>Implement IT Infrastructure Renewal in line with Business Continuity Plan:               <ul style="list-style-type: none"> <li>Implementation of the Unified Computing System (UCS).</li> </ul> </li> </ul>	60%	0%	80%	30 September 2023	-	-	-
			New Indicator	17 March 2022	22 March 2023	30 September 2023	30 September 2024	-	31 March 2026
		5.2 Percentage Improvement in Cybersecurity Capability maturity level: <ul style="list-style-type: none"> <li>Percentage Implementation of the annually approved Cybersecurity Capability Implementation plan in order to achieve Armcor desired Cybersecurity Capability maturity level.</li> </ul>	New Indicator	31 March 2022	31 March 2023	80%	80%	80%	80%

Armsscor Outcome	Armsscor Output	Output Indicators	Audited/Actual performance				Estimate Performance	Medium-term targets		
			2020/21	2021/22	2022/23	2023/24		2024/25	2025/26	2026/27
		5.3 Achievement of approved Employment Equity Plan that is directed towards: <ul style="list-style-type: none"> <li>Percentage improvement for female representation.</li> </ul>	39,20% female employees	40% female employees	40,76%	40%	40%	40%	40%	
		5.4 Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4%).	1,55%	2,03%	4,66%	≤4%	≤4%	≤4%	≤4%	
		5.5 Skills Development Programme: <ul style="list-style-type: none"> <li>Provision of bursaries for full-time studies (cumulative number).</li> <li>Contracting and development of graduate as interns, i.e. Talent Development Programme (Cumulative number).</li> </ul>	34	29	38	23*	23*	23*	23*	
		(Note: Armsscor to proactively accommodate youth and Military Veterans in contracting TDPs).	40	31	32	30*	30*	30*	30*	
		5.6 Total number of people employed with disabilities (including TDPs and Learnerships).	25	23	30	28	28	28	28	
5.7 Conduct organisational structure review. <ul style="list-style-type: none"> <li>Approved organisational structure.</li> </ul>	New Indicator	New Indicator	New Indicator	New Indicator	31 March 2025	-	-	-		

Note: \* The targets for Bursaries and Talent Development Pool were reduced and maintained at the same level due to budget constraints.

## Quarterly Targets

Output Indicators:	Annual Target 2024/25	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
5.1 Renew application systems to improve effectiveness and efficiency: <ul style="list-style-type: none"> <li>Implementation of the approved Digitisation plan: <ul style="list-style-type: none"> <li>Complete implementation of the Human Resource and Payroll ERP modules.</li> <li>Complete installation of a new ICT network.</li> </ul> </li> </ul>	30 September 2024  30 September 2024	-  -	30 September 2024  30 September 2024	-  -	-  -
5.2 Percentage Improvement in Cybersecurity Capability maturity level: <ul style="list-style-type: none"> <li>Percentage Implementation of the annually approved Cybersecurity Capability Implementation plan in order to achieve Armscor desired Cybersecurity Capability maturity level.</li> </ul>	80%	-	-	-	80%
5.3 Achievement of approved Employment Equity Plan that is directed towards: <ul style="list-style-type: none"> <li>Percentage improvement of female representation.</li> </ul>	40%	-	-	-	40%
5.4 Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4%).	≤4%	-	-	-	≤4%
5.5 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
5.6 Total number of people employed with disabilities (including TDPs and Learnerships).	28	-	-	-	28
5.7 Conduct organisational structure review. <ul style="list-style-type: none"> <li>Approved organisational structure.</li> </ul>	31 March 2025	-	-	-	31 March 2025

**Output 3: Armscor Support Functions provided**  
**O3 A3: Provide Business Assurance**  
 • **Efficient and Effective Delivery: Governance of Armscor Corporate**

Armscor Outcome	Armscor Output	Output Indicators	Audited/Actual performance		Estimate Performance	Medium-term targets	
			2020/21	2021/22		2022/23	2024/25
Accountable and Effective Governance of Armscor Corporate.	Armscor Support Functions provided.	6.1 Military Veterans (MV): <ul style="list-style-type: none"> <li>Preferential Procurement from Military Veterans entities. (Percentage of total procurement spend).</li> </ul>	New indicator	New indicator	2%	2%	2%

**Quarterly Targets**

Output Indicators:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
6.1 Military Veterans (MV): <ul style="list-style-type: none"> <li>Preferential Procurement from Military Veterans entities. (Percentage of total procurement spend).</li> </ul>	2%	-	-	-	2%

**OUTCOME 2: ACCOUNTABLE AND EFFECTIVE GOVERNANCE OF ARMSCOR CORPORATE**

**Output 4: Defence International Armaments trade compliance provided**

**O4 A1: Provide Stakeholder Management**

- Stakeholder Management: Armscor to build, maintain, and strengthen relationships with all its stakeholders**

Armscor Outcome	Armscor Output	Output Indicators	Audited/Actual performance				Estimate Performance	Medium-term targets	
			2020/21	2021/22	2022/23	2024/25		2025/26	2026/27
Accountable and Effective Governance of Armscor Corporate.	Defence International Armaments Trade Compliance Provided.	7.1 Stakeholder Survey (conducted every second year).	26 March 2021	-	1% improvement	1% improvement	-	-	
		7.2 Employee engagement survey (conducted every third year): <ul style="list-style-type: none"> <li>Percentage implementation of identified interventions based on 2020/21 survey.</li> </ul>	% improvement remained unchanged	% improvement based on 2020/21 remained unchanged	60%	100%	Employee engagement survey to be conducted		



## Quarterly Targets

Output Indicators:	Annual Target	Quarterly Targets <i>(Progress reported quarterly and final progress is reported annually)</i>			
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
7.1 Stakeholder Survey (conducted every second year).	1% improvement	-	-	-	1% improvement
7.2 Employee engagement survey (conducted every third year): Percentage implementation of identified interventions based on 2020/21 survey.	100%	30%	50%	80%	100%

## 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. ARMSCOR'S PUBLIC-PRIVATE PARTNERSHIPS

- 20.1 It is envisaged that Armscor will not enter into any Public-Private Partnerships for the 2024/25 financial year.

## 21. ARMSCOR'S 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 riskmanagement 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 9 identified corporate risks. Although a summarised version is set out in Table 12, a detailed report will be available to those authorised entities that wish to have insight into it.

**Table 12: Risk responses**

No.	Corporate Risk	Mitigating Actions
1.	Obsolete ICT business applications.	1.1. Decommission legacy systems that are outdated and unsupported at Finance, human Resources and Supply Chain Management (SCM). 1.2. Roll out of the ERP Tool. 1.3. Implement the Revised Digitisation Strategy.
2.	Financial stainability of Armscor.	2.1. Implementation of Armscor's Commercialisation Strategy. 2.2. Capability assessment within Business Enablement in line with the organisational structure review. 2.3. Review Armscor's business model for commercialisation. 2.4. Service delivery improvement measured through the stakeholder survey. 2.5. Motivate to National Treasury for additional funding in collaboration with the DOD. 2.6. Review of value for money considerations where external service providers are contracted. 2.7. Review of the measurement of Armscor's performance in respect of the SLA with the DOD.
3.	Cyber and Information Security Risk.	3.1. Implementation of the Cyber Maturity Plan. 3.2. Alignment of the Cyber Maturity Plan to the Digitisation Strategy. 3.3. Develop inhouse data management capabilities.
4.	Loss of industry capabilities and Security of Supply.	4.1. Motivate to National Treasury for additional funding in collaboration with the DOD. 4.2. Manage the transfer of skills to South African Companies when contracting where applicable. 4.3. Continuous engagement with Denel ensuring performance on contracts placed.
5.	Inadequate Business Continuity Management (BCM).	5.1. Testing of the Integrated BCP. 5.2. Organisation wide BCM training. 5.3. Implementation of the Upgrade and Maintenance Plan.
6.	Vulnerability to counter intelligence threats.	6.1. Engage Chief Defence Counter Intelligence (CDCI) 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. 6.2. Monitoring of Limited Access Authority (LAA) process of dual/foreign citizens. 6.3. Roll out of the Information security awareness sessions. 6.4. Adequate implementation of the classification instructions.

7.	Reputational risk by association with the SOE's and other critical stakeholders.	<p>7.1. Implement the Communications Strategy to improve brand position.</p> <p>7.2. Implement proactive media monitoring tool.</p> <p>7.3. Obtain a clean audit.</p> <p>7.4. Implementation of the approved Marketing and Communication Strategy.</p> <p>7.5. Conduct brand positioning exercises.</p>
8.	Inadequate stakeholder management.	<p>8.1. Continuous monitoring and update of the centralised stakeholder database.</p> <p>8.2. Biennial stakeholder survey.</p> <p>8.3. Search engine optimisation for the new Armscor website.</p> <p>8.4. Reviewing of the Stakeholder Engagement Strategy.</p> <p>8.5. Identifying strategic project partners (local and international).</p>
9.	Non-compliance with Armscor policies.	<p>9.1. Develop and implement the Whistle blowing policy.</p> <p>9.2. Report consequence management take on non-compliances and irregular conduct by employees, and escalate to the Board.</p> <p>9.3. Condonement of irregular expenditure to be approved by the BOD.</p>

## 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), and 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 the 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, and any irregular, fruitless, and wasteful expenditure.

Material losses through criminal conduct above R100 000.00 per incident, and 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.
- National Treasury Budget Cuts

Mitigating actions:

- The Dockyard's budget must be at break-even position.
- Review of vacancies included in the initial budget to ensure only funded positions are considered.
- 10% reduction in other operational costs.

- **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 and 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 any more.
- 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.

- **General**

- Conditional Grants:

Armscor has no Conditional Grants for the 2024/25 Financial Year.

- Consolidated Indicators

Armscor has no Consolidated Indicators for the 2024/25 Financial Year.

- District Development Model

Armscor has no District Development Model for the 2024/25 Financial Year. However, Armscor has only a maintenance plan which focuses on the maintenance and repair of Armscor facilities.

# ANNEXURE A



**Armaments Corporation of South Africa  
SOC Limited  
Group Financial Information**



## Overview of 2024/25 to 2026/27 Budget

Table 13: Statement of Comprehensive Income of the Armscor Group for the 2024/25 Financial Year

DETAIL	2023/24 BUDGET	BUDGET 2024/25			
	ARMSCOR GROUP TOTAL	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT
<b>REVENUE</b>					
<b>Revenue from exchange transactions</b>					
Sale of goods	13,9	15,7	-	-	15,7
Rendering of services	367,4	424,1	21,5	10,0	392,6
Deferred income recognised	1,9	2,6	-	2,6	-
Rental income	65,9	74,1	70,6	-	3,5
Other income	29,0	25,7	14,2	0,2	11,3
Interest received	82,4	113,9	106,6	2,8	4,5
<b>Total revenue from exchange transactions</b>	<b>560,5</b>	<b>656,1</b>	<b>212,9</b>	<b>15,6</b>	<b>427,7</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government grant	1 250,8	1 168,8	777,2	277,2	114,3
<b>TOTAL REVENUE</b>	<b>1 811,4</b>	<b>1 824,9</b>	<b>990,1</b>	<b>292,8</b>	<b>541,9</b>
<b>OPERATING EXPENDITURE</b>					
Employee related costs	(1 167,5)	(1 239,8)	(706,0)	(255,2)	(278,7)
Depreciation and amortisation	(108,6)	(112,0)	(52,9)	(11,0)	(48,1)
Lease rentals on operating leases	(4,3)	(3,9)	(3,7)	-	(0,2)
Impairment losses reversed	(0,2)	-	-	-	-
Cost of sales	(130,2)	(171,3)	-	-	(171,3)
General expenses	(376,4)	(388,1)	(248,6)	(31,3)	(108,3)
<b>TOTAL EXPENDITURE</b>	<b>(1 787,1)</b>	<b>(1 915,2)</b>	<b>(1 011,2)</b>	<b>(297,5)</b>	<b>(606,5)</b>
<b>Operating surplus / (deficit)</b>	<b>24,2</b>	<b>(90,3)</b>	<b>(21,1)</b>	<b>(4,6)</b>	<b>(64,6)</b>
Profit on foreign exchange transactions	-	1,5	-	-	1,5
<b>SURPLUS/ (DEFICIT) FOR THE YEAR</b>	<b>24,3</b>	<b>(88,8)</b>	<b>(21,1)</b>	<b>(4,6)</b>	<b>(63,1)</b>
<b>ASSETS</b>	<b>350,1</b>	<b>407,1</b>	<b>248,5</b>	<b>80,7</b>	<b>77,8</b>

Table 14: Overview of 2024/25 to 2026/27 Budget and Medium-Term Strategic Framework Estimates Armscor Group

DETAIL	2024/25 BUDGET				2025/26 PLAN				2026/27 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>REVENUE</b>												
Revenue from exchange transactions												
Sale of goods	15,7	-	-	15,7	16,5	-	-	16,5	17,3	-	-	17,3
Rendering of services	424,1	21,5	10,0	392,6	445,3	22,5	10,5	412,3	444,8	23,7	11,0	410,1
Deferred income recognised	2,6	-	2,6	-	2,7	-	2,7	-	2,8	-	2,8	-
Rental income	74,1	70,6	-	3,5	77,9	74,2	-	3,7	81,7	77,9	-	3,9
<b>Other income</b>	25,7	14,2	0,2	11,3	27,0	14,9	0,2	11,9	28,4	15,6	0,2	12,5
Interest received	113,9	106,5	2,8	4,5	119,6	111,9	3,0	4,7	125,6	117,5	3,1	5,0
<b>Total revenue from exchange transactions</b>	<b>656,1</b>	<b>212,9</b>	<b>15,6</b>	<b>427,7</b>	<b>688,9</b>	<b>223,5</b>	<b>16,4</b>	<b>449,0</b>	<b>700,6</b>	<b>234,7</b>	<b>17,2</b>	<b>448,7</b>
Revenue from non-exchange transactions												
Transfer revenue												
Government grant	1 168,8	777,2	277,2	114,3	1 222,5	813,0	290,0	119,5	1 271,4	845,5	301,6	124,3
<b>TOTAL REVENUE</b>	<b>1 824,9</b>	<b>990,1</b>	<b>292,8</b>	<b>541,9</b>	<b>1 911,5</b>	<b>1 036,5</b>	<b>306,4</b>	<b>568,6</b>	<b>1 972,0</b>	<b>1 080,2</b>	<b>318,8</b>	<b>573,0</b>
<b>OPERATING EXPENDITURE</b>												
Employee related costs	(1 239,8)	(706,0)	(255,2)	(278,7)	(1 301,8)	(741,2)	(267,9)	(292,6)	(1 331,6)	(775,9)	(260,8)	(274,8)
Depreciation and amortisation	(112,0)	(52,9)	(11,0)	(48,1)	(112,0)	(52,9)	(11,0)	(48,1)	(112,0)	(52,9)	(11,0)	(48,1)
Lease rentals on operating leases	(5,9)	(3,7)	-	(0,2)	(4,1)	(3,9)	-	(0,2)	(4,3)	(4,1)	-	(0,2)
Cost of sales	(171,3)	-	-	(171,3)	(179,9)	-	-	(179,9)	(188,9)	-	-	(188,9)
General expenses	(366,1)	(248,6)	(31,3)	(108,3)	(405,7)	(259,7)	(32,7)	(113,3)	(420,8)	(275,1)	(34,9)	(119,9)
<b>TOTAL EXPENDITURE</b>	<b>(1 915,2)</b>	<b>(1 011,2)</b>	<b>(297,5)</b>	<b>(606,5)</b>	<b>(2 003,4)</b>	<b>(1 057,8)</b>	<b>(311,7)</b>	<b>(634,1)</b>	<b>(2 066,7)</b>	<b>(1 108,1)</b>	<b>(326,7)</b>	<b>(631,8)</b>
Operating surplus / (deficit)	(90,3)	(21,1)	(4,6)	(64,6)	(92,1)	(21,3)	(5,3)	(65,3)	(94,7)	(27,9)	(8,6)	(58,8)
Profit on foreign exchange transactions	1,5	-	-	1,5	1,6	-	-	1,6	1,7	-	-	1,7
<b>SURPLUS/ (DEFICIT) FOR THE YEAR</b>	<b>(88,8)</b>	<b>(21,1)</b>	<b>(4,6)</b>	<b>(63,1)</b>	<b>(90,5)</b>	<b>(21,3)</b>	<b>(5,3)</b>	<b>(63,9)</b>	<b>(93,0)</b>	<b>(27,9)</b>	<b>(8,6)</b>	<b>(57,1)</b>
ASSETS	407,1	248,5	80,7	77,8	305,3	186,4	60,5	58,4	229,0	139,8	45,4	43,8

Table 15: Armscor Group Statement of Financial Position: Three-Year Plan

DETAILS	31 March 2024	31 March 2025	31 March 2026	31 March 2027
	Rm	Rm	Rm	Rm
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>	<b>2 565,3</b>	<b>2 601,7</b>	<b>2 502,2</b>	<b>2 437,1</b>
Property, plant and equipment	1 296,4	1 523,9	1 659,5	1 734,4
Heritage assets	12,7	11,0	11,0	11,0
Investment property	28,4	28,4	28,4	28,4
Intangible assets	146,2	156,8	171,8	181,8
Investment in joint venture	0,1	0,1	0,1	0,1
Financial instruments	1 081,4	881,4	631,4	481,4
<b>CURRENT ASSETS</b>	<b>751,6</b>	<b>625,1</b>	<b>639,4</b>	<b>621,5</b>
Inventories	15,0	14,4	14,0	13,6
Trade and other receivables	490,9	510,6	531,0	552,2
Cash and short term deposits	245,6	100,1	94,4	55,7
<b>TOTAL ASSETS</b>	<b>3 316,9</b>	<b>3 226,8</b>	<b>3 141,6</b>	<b>3 058,6</b>
<b>EQUITY AND LIABILITIES</b>				
<b>CAPITAL AND RESERVES</b>				
Ordinary share capital	75,0	75,0	75,0	75,0
Non-distributable reserves	2 398,3	2 309,5	2 219,0	2 126,0
<b>ORDINARY SHAREHOLDERS' INTEREST</b>	<b>2 473,3</b>	<b>2 384,5</b>	<b>2 294,0</b>	<b>2 201,0</b>
<b>NON CURRENT LIABILITIES</b>	<b>373,0</b>	<b>399,6</b>	<b>429,1</b>	<b>460,5</b>
Employee benefit liability	364,2	393,3	424,7	458,7
Deferred income	8,9	6,4	4,4	1,7
<b>CURRENT LIABILITIES</b>	<b>470,5</b>	<b>442,6</b>	<b>418,5</b>	<b>397,1</b>
Trade and other payables and provisions	447,2	427,5	408,7	390,7
Deferred income	23,3	15,2	9,8	6,4
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 316,9</b>	<b>3 226,8</b>	<b>3 141,6</b>	<b>3 058,6</b>

Table 16: Armscor Group Cash Flow Statement: Three-Year Plan for 2024/25 to 2026/27 Financial Years

DESCRIPTION	31 March 2024 Estimated Rm	31 March 2025 Rm	31 March 2026 Rm	31 March 2027 Rm
<b>OPERATING ACTIVITIES</b>				
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>161,1</b>	<b>4,7</b>	<b>6,9</b>	<b>8,2</b>
Cash receipts from customers	2 231,7	2 953,4	3 096,2	3 215,2
Cash paid to suppliers and employees	(2 157,2)	(3 062,6)	(3 208,9)	(3 332,6)
Cash generated from/(used in) operations	74,5	(109,2)	(112,7)	(117,4)
Net finance income	86,5	113,9	119,6	125,6
<b>INVESTING ACTIVITIES</b>	<b>(540,1)</b>	<b>(150,1)</b>	<b>(12,6)</b>	<b>(46,9)</b>
Purchase of property, plant, equipment and intangible assets	(320,1)	(350,1)	(262,6)	(196,9)
Decrease/(increase) in other non-current financial assets	(220,0)	200,0	250,0	150,0
<b>FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CASH MOVEMENT FOR THE YEAR</b>	<b>(379,0)</b>	<b>(145,4)</b>	<b>(5,7)</b>	<b>(38,7)</b>
<b>CASH AT BEGINNING OF THE YEAR</b>	<b>624,5</b>	<b>245,5</b>	<b>100,1</b>	<b>94,4</b>
<b>TOTAL CASH AT END OF THE YEAR</b>	<b>245,5</b>	<b>100,1</b>	<b>94,4</b>	<b>55,7</b>

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

DESCRIPTION	31 March 2024 Estimated Rm	31 March 2025 Rm	31 March 2026 Rm	31 March 2027 Rm
<b>1. CASH GENERATED/(UTILISED) FROM OPERATIONS</b>				
Surplus/ (Deficit) for the year	42,7	(88,8)	(90,5)	(93,0)
<b>Adjustments for:</b>				
Depreciation, amortisation and impairment reversals	108,4	112,0	112,0	112,0
Net finance income	(86,5)	(113,9)	(119,6)	(125,6)
Non-cash flow adjustments	-	1,7	-	-
Movement in employee benefit assets and liabilities	20,3	29,1	31,5	34,0
Operating surplus/(deficit) before working capital changes	84,9	32,2	29,7	27,6
<b>Changes in working capital:</b>				
(Increase)/Decrease in trade and other receivables	(10,3)	(49,4)	(46,1)	(44,8)
Increase/(Decrease) in deferred income	23,1	(19,6)	(20,4)	(21,2)
(Increase) in inventories	(7,8)	(10,7)	(7,3)	(6,1)
Increase/(Decrease) in accounts payable and provisions	0,8	0,6	0,4	0,4
	(26,5)	(19,7)	(18,8)	(17,9)
<b>Cash generated / ( utilised) from operations</b>	<b>74,5</b>	<b>(17,2)</b>	<b>(16,5)</b>	<b>(17,3)</b>

Table 17: Group Capital Expenditure for the 2024/25 Financial Year

TOTAL ARMSCOR GROUP	NEW BUDGET 2024/2025	CURRENT BUDGET 2023/2024
OFFICE EQUIPMENT	8 672 037	7 187 814
COMPUTER EQUIPMENT	58 450 792	36 232 620
OFFICE FURNITURE	3 706 250	2 845 198
COMPUTER SOFTWARE	95 344 640	118 437 000
BUILDINGS AND INFRASTRUCTURE	120 609 834	109 353 981
MACHINERY AND EQUIPMENT	70 998 000	35 473 000
MOTOR VEHICLES	12 459 000	4 868 000
CAPITAL ASSETS	36 820 000	35 731 675
<b>Total</b>	<b>407 060 553</b>	<b>350 129 288</b>

Note: Capital expenditure budgeted for in 2024/25 financial year include items not executed in 2023/24 financial year.



## **ANNEXURE B**

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

**Name:****Dr. Phillip David Dexter - Chairperson**

Gender:

Male

Race:

White

Academic Qualifications:

PhD  
MPhil  
BA

Areas of Expertise:

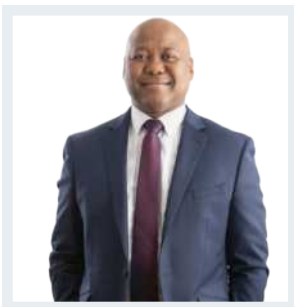
Project Management  
Strategic Leadership  
Financial Management  
Research and Analysis  
Human Resources  
Change Management  
Chairperson of the Board  
Member of the Military Veterans Committee  
1 December 2020

South African Weather Service  
African Energy Corporation  
Global Beef  
One Vision Investment  
Emerald Panther Investment  
NIH Subsidiaries  
Lighthouse Emporium Primary Co-Operative Limited  
Mpower Music and Sound Primary Co-Operative Limited  
Mpower Five Point Films Primary Co-Operative Limited  
MAARIFA Resources  
Opiconsivia Trading 255  
Africa-China Friendship Association  
Therez House Company  
African-Chinese People's Friendship Association  
Orbis Mining  
NEHAWU Investment Partners  
NEHAWU Investment- Managers  
Agrowvest NEHAWU Investment Company  
Tailspin Trading 23  
Maxshell 121 Investments  
Ivyjewel 30  
Emerald Panther Investments 7  
NEHAWU Investment Company SPV  
Boshof Solar Power (RF)

Position on Armscor Board:

Appointment Date:

Directorships:

**Name:****Adv. Solomzi Phineas Mbada - Chief Executive Officer**

Gender:

Male

Race:

African

Academic Qualifications:

LLM  
LLB  
MAP  
BA Hons  
B Juris

Areas of Expertise:

Strategic Management



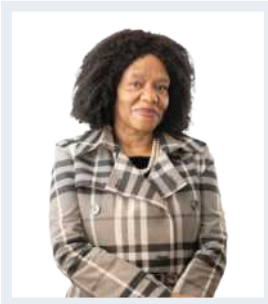
Appointment Date:  
Position on Executive Committee:  
Position on Armscor Board:  
Directorships:

Business Restructuring  
Mediation / Negotiation  
Change Management  
Organisational Dynamics / Psychology  
1 September 2009  
Chief Executive Officer  
Executive Director of the Board  
Armscor Defence Institutes (Pty) Ltd (*Dormant*)  
Erasmusrand Properties (Pty) Ltd (*Dormant*)  
Sportrand (Pty) Ltd (*Dormant*)  
Oospark (Pty) Ltd (*Dormant*)



**Name:**  
Gender:  
Race:  
Academic Qualifications:  
  
Areas of Expertise:  
  
Appointment Date:  
Position on Executive Committee:  
Position on Armscor Board:  
Directorships:

**Mr Jacobus Gerhardus Grobler - Chief Financial Officer**  
Male  
White  
CA (SA)  
MBL  
MCom (Tax)  
Financial Management  
Corporate Governance  
1 July 1990  
Chief Financial Officer  
Executive Director of the Board  
Armscor Defence Institutes (Pty) Ltd (*Dormant*)  
Erasmusrand Properties (Pty) Ltd (*Dormant*)  
Sportrand (Pty) Ltd (*Dormant*)  
Oospark (Pty) Ltd (*Dormant*)



**Name:**  
Gender:  
Race:  
Academic Qualifications:  
  
Areas of Expertise:  
Position on Armscor Board:

**Ambassador Jeanette Thokozile Ndhlovu\***  
Female  
African  
Master of Arts Counselling Psychology  
Bachelor of Arts Political Science  
Bachelor of Science Public Administration  
Executive Leadership Training Programme  
Middle Management Course  
Heads of Mission Orientation Course  
Foreign Relations  
Non-Executive Director of the Board  
Member of the Human Resources, Social and Ethics Committee  
Member of Technology, Industry Support and Sustainability Committee  
Member of the Military Veterans Committee  
1 May 2017 (re-appointed 1 December 2020)  
None

Appointment Date:  
Directorships:

\*Note: Served two terms. Second term ended 30 November 2023.

**Name:**

Gender:

Race:

Academic Qualifications:

Areas of Expertise:

Position on Armscor Board:

Appointment Date:

Directorships:

**Ms Fundiswa Barbara Skweyiya-Gushu**

Female

African

Masters in International Political Communications  
 Post Graduate Diploma in Government, Communication and Marketing  
 Fellowship on Democracy and the Rule of Law Stanford University

Communications and Marketing

Campaigning

Research

Project Management

Media Relations

Public Diplomacy

Democracy and the Rule of Law

Non-Executive Director of the Board

Member of the Audit and Risk Committee

Member of the Technology, Industry Support and Sustainability Committee

Chairperson of the Military Veterans Committee

1 December 2020

None

**Name:**

Gender:

Race:

Academic Qualifications:

Areas of Expertise:

Position on Armscor Board:

Appointment Date:

Directorships:

**Mr Timothy Mandla Sukazi**

Male

African

LLM (UCT)

LLB (UNISA)

B. Proc. (UNISA)

General Corporate and Commercial Law

Mergers and Acquisitions

Capital Markets and Securities Law

Commercial Litigation

Sports and Entertainment Law

Banking and Finance Law

Insurance Law

Corporate Restructure

Public and Regulatory Law

Social Security Law

Tax Law

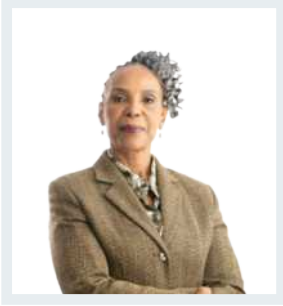
Non-Executive Director of the Board

Chairperson of the Acquisition Committee

Member of the Audit and Risk Committee

1 December 2020

Independent Development Trust

**Name:**

Gender:

Race:

Academic Qualifications:

Areas of Expertise:

Position on Armscor Board:

Appointment Date:

Directorships:

**Ms Peta Nonceba Mashinini**

Female

African

Master's in Business Administration

Executive Management Development Programme

Post Graduate Diploma in Human Resources

Project Management

Corporate Services

Strategy

Human Resources

Transformation

Performance Management

Operations Management

Governance

Ethics

Financial Management

Acquisition Advisory

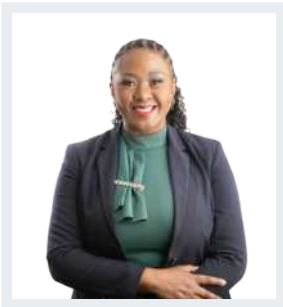
Non-Executive Director of the Board

Chairperson of the Human Resources, Social and Ethics Committee

Member of the Acquisition Committee

1 December 2020

Thebe Investment Corporation

**Name:**

Gender:

Race:

Academic Qualifications:

Areas of Expertise:

Appointment Date:

Position on Armscor Board:

Directorships:

**Adv. Selaelo Portia Matsane**

Female

African

LLB

B Juris

Law

Governance

Strategic Leadership and Management

2 January 2023

Company Secretary

None



## **ANNEXURE C**

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

**Name:**

**Adv. Solomzi Phineas Mbada -  
Chief Executive Officer**

Gender:

Male

Race:

African

Academic Qualifications:

LLM

LLB

MAP

BA Hons

B Juris

Areas of Expertise:

Strategic Management

Business Restructuring

Mediation / Negotiation

Change Management

Organisational Dynamics / Psychology

Appointment Date:

1 September 2009

Position on Executive Committee:

Chief Executive Officer

Position on Armscor Board:

Executive Director of the Board

Directorships:

Armscor Defence Institutes (Pty) Ltd (*Dormant*)Erasmusrand Properties (Pty) Ltd (*Dormant*)Sportrand (Pty) Ltd (*Dormant*)Oospark (Pty) Ltd (*Dormant*)**Name:**

**Mr Jacobus Gerhardus Grobler -  
Chief Financial Officer**

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 Executive Committee:

Chief Financial Officer

Position on Armscor Board:

Executive Director of the Board

Directorships:

Armscor Defence Institutes (Pty) Ltd (*Dormant*)Erasmusrand Properties (Pty) Ltd (*Dormant*)Sportrand (Pty) Ltd (*Dormant*)Oospark (Pty) Ltd (*Dormant*)**Name:**

**Mr Meshack Phuti Teffo**

Gender:

Male

Race:

African

Academic Qualifications:

Master of Law (LLM)

Bachelor of Law

LLB

Higher Diploma in Tax Law

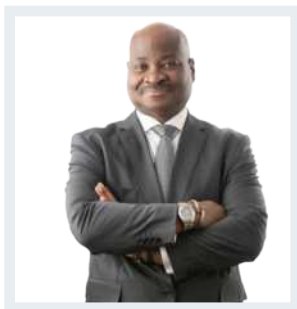
Areas of Expertise:

Governance

Legal/Risk and Compliance

Strategic Leadership and Management

Appointment Date: 1 September 2003  
 Position on Executive Committee: Group Executive: Acquisition and SCM



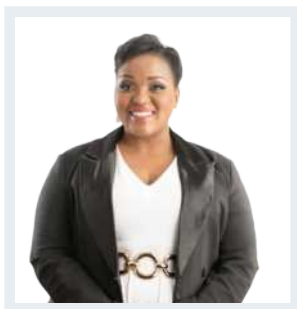
**Name:** Dr. Noel Mkhululi Mkaza  
**Gender:** Male  
**Race:** African  
**Academic Qualifications:** PhD (Nuclear Physics)  
 MBA  
 MSc (Materials Science)  
 BSc (Education)  
 BSc (Hons)  
 Post Graduate Diploma in Electrical Engineering  
**Areas of Expertise:** Coaching  
 Emotional Intelligence  
 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. Ndodomzi Mvambo  
**Gender:** Male  
**Race:** African  
**Academic Qualifications:** LLB  
 B Juris  
 Advanced Diploma 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:** Ms Qhinaphi Sitsila  
**Gender:** Female  
**Race:** African  
**Academic Qualifications:** Master of Business Administration (MBA)  
 BBA  
 LLB  
 Risk Management Diploma  
**Areas of Expertise:** Governance, Risk and Compliance  
 Enterprise Risk Management  
 Legal  
 Strategic Leadership and Management

Appointment Date: 1 July 2022  
 Position on Executive Committee: Acting Group Executive: Business Assurance

**Name:**

Gender:

Race:

Academic Qualifications:

Areas of Expertise:

Appointment Date:

Position on Executive Committee:

**Ms Segomotso Angela Tire**

Female

African

MEng

BSc (Biological Science)

BEng (Electronics)

Executive Leadership Programme

Strategic Leadership and Management

Stakeholder Management

Business Intelligence

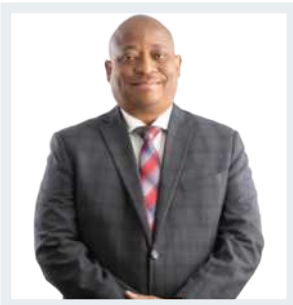
Business Development

Engineering Management

Digital Transformation

1 August 2022

Executive Manager: Business Enablement

**Name:**

Gender:

Race:

Academic Qualifications:

Areas of Expertise:

Appointment Date:

Position on Executive Committee:

**Mr Mpho Peecha**

Male

African

Master of Business Leadership (MBL)

B Tech Degree Engineering – Metallurgy

Executive Development Programme

Graduate Diploma in Management

Engineering

Corporate Compliance

Arms control

Organisational Transformation

1 February 2007

Executive Manager: Dockyard



## **ANNEXURE D**

# **ARMSCOR TECHNICAL INDICATOR DESCRIPTIONS FOR THE 2024/25 FINANCIAL YEAR**



## SERVICE LEVEL AGREEMENT

## OUTCOME 1: TO MEET THE MATÉRIEL, TECHNOLOGY REQUIREMENTS AND MANAGEMENT OF STRATEGIC CAPABILITIES OF THE DOD, ORGANS OF STATE AND OTHER ENTITIES.

## Output 1: Defence matériel product life cycle provided

## O1 A1: Provide Defence Acquisition and Supply Chain Management

- CAT 1 Capital Defence Matériel Acquisition, Excluding Strategic Defence Acquisition, Including Technology Acquisition (SLA: Goal 1)

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 3A requirements from the DOD. The Capital requirements from DOD is registered after approval of the Project Study by the DOD and functional baseline by Armscor, and confirmation by the DOD of funds availability. Factors beyond Armscor's control preventing the conversion into orders will be excluded from the achievement against the target, i.e. receipt of requirement, cancellation of requirement, insufficient/lack of funding, provided that the request has been received by Armscor before the beginning of Quarter 4 of the financial year. Percentage of DOD capital requirements converted into orders placed.
<b>PURPOSE</b>	To measure the percentage of DOD Capital requirements converted into orders placed.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Reports: SLAR1.Report; SLAR1A.Report and SLAR1B.Report. AGSA/Internal Audit 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/Internal Audit 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 3A 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 OWNER</b>	Chief Executive Officer. Group Executive: Acquisition and SCM.

INDICATOR TITLE	1.2 PERCENTAGE EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED.
<b>DEFINITION</b>	The actual cash flow measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armcor's control. Any adjustment deemed to be beyond Armcor's control that is due to the user or the DOD will be done with the consent of the DOD. The actual cash flow will determine progress in terms of the actual spend of the planned cash flow. Letters signed by the DOD and indicating the estimated amounts that will roll over per contract will support adjustments deemed to be beyond Armcor's control. Percentage execution of contracts as measured through actual cash flow on DOD orders placed.
<b>PURPOSE</b>	To measure the percentage execution of contracts as measured through actual cash flow on DOD orders placed.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Reports: MXXR3B.Report; MXXR3C.Report and DXXR3A.Report. AGSA/Internal Audit 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 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: MXXR3B.RPT; MXXR3C.RPT and DXXR3A.RPT AGSA/Internal Audit report.
<b>ASSUMPTIONS</b>	Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armcor's control. Any adjustment deemed to be beyond Armcor'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 OWNER</b>	Chief Executive Officer. Group Executive: Acquisition and SCM.

## Output 1: Defence matériel product life cycle provided

## O1 A1: Provide Defence Acquisition and Supply Chain Management

- System Support Acquisition and Procurement (SLA: Goal 2)

INDICATOR TITLE	2.1 PERCENTAGE OF DOD SYSTEM SUPPORT AND PROCUREMENT REQUIREMENTS CONVERTED INTO ORDERS PLACED.
DEFINITION	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. Factors beyond Armscor's control preventing the conversion into orders will be excluded from the achievement against the target, i.e. receipt of requirement, cancellation of requirement, insufficient/lack of funding, provided that the request has been received by Armscor before the beginning of Quarter 4 of the financial year. Percentage of DOD system support and procurement requirements converted into orders placed.
PURPOSE	To measure the percentage of DOD system support and procurement requirements converted into orders placed.
SOURCE OF DATA	Signed Service Level Agreement. Reports: SLAR1.Report; SLAR1A.Report and SLAR1B.Report AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	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 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.
MEANS OF VERIFICATION	Signed Service Level Agreement. Reports: MXXR3B.RPT; MXXR3C.RPT and DXXR3A.RPT. AGSA/Internal Audit report.
ASSUMPTIONS	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.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	95%.
INDICATOR RESPONSIBILITY	Chief Executive Officer. Group Executive: Acquisition and SCM.

INDICATOR TITLE	2.2 PERCENTAGE EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED.
<b>DEFINITION</b>	Actual cash flow measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armcor's control. Any adjustment deemed to be beyond Armcor's control that is due to the user or the DOD will be done with the consent of the DOD. Letters signed by the DOD and indicating the estimated amounts that will roll over per contract will support adjustments deemed to be beyond Armcor's control. Percentage of execution of contracts as measured through actual cash flow on DOD orders placed.
<b>PURPOSE</b>	To measure the Percentage execution of contracts as measured through actual cash flow on DOD orders placed.
<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 Armcor's control. Any adjustment deemed to be beyond Armcor'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>	<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>	Annually.
<b>DESIRED PERFORMANCE</b>	95%.
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Group Executive: Acquisition and SCM.

## Output 1: Defence matériel product life cycle provided

## O1 A1: Provide Defence Acquisition and Supply Chain Management

- Schedule Placement (SLA: Goal 3)

INDICATOR TITLE	3.1 AVERAGE TIME TAKEN TO CONVERT DOD REQUIREMENTS INTO ORDERS.
DEFINITION	Time taken from registration of requirement (3A) to placement of contract-excluding time required for FA approval as measured on the Armscor Business Register. Average time taken to convert DOD requirements into orders.
PURPOSE	To measure the average time taken to convert DOD requirements into orders.
SOURCE OF DATA	Signed Service Level Agreement. Reports: SLAR1.RPT; SLAR1A.RPT and SLAR1B.RPT AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	Per category: Add "Total days taken" e.g. 2 880 days. Add "Total orders" e.g. 20 orders. Divide "orders" into "days taken" to get an average achievement.
MEANS OF VERIFICATION	Signed Service Level Agreement. Report: Armscor Requirement Summary Monitor Report. AGSA/Internal Audit report.
ASSUMPTIONS	The time taken from registration of requirement (3A) to placement of contract-excluding time required for FA approval.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	90 days for shortened process COTS items.  120 days for non-COTS and Product Support GDA procurement.  140 days for SDA acquisition programmes.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Acquisition and SCM.

## Output 1: Defence matériel product life cycle provided

## O1 A1: Provide Defence Acquisition and Supply Chain Management

## • Management of Defence Industrial Participation (SLA: Goal 4)

INDICATOR TITLE	4.1 VALUE OF DEFENCE INDUSTRIAL PARTICIPATION CREDITS TO BE GRANTED.
DEFINITION	The value of DIP credits to be granted to overseas suppliers.
PURPOSE	To measure the value of Defence Industrial Participation credits to be granted.
SOURCE OF DATA	Signed Service Level Agreement. Active Portfolio Summary Report. AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	On the report "Active Portfolio Summary Report 2024/25" under the heading "Running Active Agreements – Special Defence Account" add the total of column "achievement 2024/25" 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 2024/25 which gives the cumulative total [SDA and SAPS]).
MEANS OF VERIFICATION	Signed Service Level Agreement. Active Portfolio Summary Report. AGSA/Internal Audit report.
ASSUMPTIONS	The value of DIP credits to be granted to overseas suppliers.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	R1,21m.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Acquisition and SCM.

**Output 1: Defence matériel product life cycle provided****O1 A1: Provide Defence Research and Development**

- **Management and execution of defence technology, research, test and evaluation and IP management requirements(strategic facilities and capabilities) of the DOD (SLA: Goal 5)**

INDICATOR TITLE	5.1 PERCENTAGE OF EXECUTION OF TECHNOLOGY REQUIREMENTS.
<b>DEFINITION</b>	Execution of contractual milestones/deliveries in accordance with the operational requirements of the DOD as per agreed in the SLA, MoA and orders received for the financial year. Percentage of execution of technology requirement.
<b>PURPOSE</b>	To measure the percentage of execution of technology requirements.
<b>SOURCE OF DATA</b>	Signed SLA, MoA and orders received for the financial year. 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 SLA, MoA and orders received for the financial year. 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 OWNER</b>	Chief Executive Officer. Group Executive: Research and Development.

## Output 1: Defence matériel product life cycle provided

## O1 A1: Manage Defence related strategic facilities

- Management and performance against Dockyard mandate(South African Navy/Dockyard performance management in terms of Service Level Agreement with the South African Navy)(SLA: Goal 6)

<b>INDICATOR TITLE</b>	<b>6.1 PERCENTAGE OF PROJECT TASKING AND JOB CARDS EXECUTED:</b>  6.1.1 Projects (Special projects/DED/Refit).  6.1.2 Adhoc activities (daily job requests: AMP support, OPDEFS)
<b>DEFINITION</b>	Adherence to project tasking as approved in the project plan and execution of the adhoc activities. This includes Projects (Special projects/Docking Essential Defects (DED)/Refit) as well as Adhoc activities (daily job requests in a form of Assisted Maintenance Period (AMP) support and Operational Defect (OPDEF).
<b>PURPOSE</b>	To measure the percentage of project tasking and job cards executed.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Signed performance management agreements by Project Manager and Manager Technical Upkeep Section, SA Navy. SHOPDCAP web report (Project Personnel Performance Management Report). AGSA/Internal Audit report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	The percentage 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, and Manager Technical Upkeep Section, SA Navy. SHOPDCAP web report (Project Personnel Performance Management Report). 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>	Target for Women: N/A. Target for Youth: N/A. 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 OWNER</b>	Chief Executive Officer. Executive Manager: Dockyard.



INDICATOR TITLE	6.2 PERCENTAGE OF COMPLIANCE TO PROJECT FINANCE.
DEFINITION	Management of project finances in accordance with approved financial authorities and cash-flow plan. Percentage of compliance to project finance.
PURPOSE	To measure the percentage of compliance to project finance.
SOURCE OF DATA	Signed Service Level Agreement. Report: DXXR12A.RPT. AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	The percentage performance is calculated by taking the actual spending divided by the allocated amount for the reporting period on a cumulative basis and expressed as a percentage.
MEANS OF VERIFICATION	Signed Service Level Agreement. Report: DXXR12A.RPT. AGSA/Internal Audit report.
ASSUMPTIONS	To manage project finances in accordance with approved financial authorities and cash flow plan.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	90%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Executive Manager: Dockyard.

INDICATOR TITLE	6.3 PERCENTAGE OF ANCILLARY SERVICES EXECUTED.
DEFINITION	The ancillary services provided as defined by SA Navy (power generation station, air supply, water supply, crane support requirements, etc.) as per Dockyard funded business plan. Percentage of auxiliary services executed.
PURPOSE	To measure the percentage of ancillary services executed.
SOURCE OF DATA	Signed Service Level Agreement. Flag Officer Command sign off on ancillary services delivered. AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	The performance is calculated by expressing the requests completed to requests allocated as a percentage on a cumulative basis over the reporting period.
MEANS OF VERIFICATION	Signed Service Level Agreement. Flag Officer Command sign off on ancillary services delivered. AGSA/Internal Audit report.

INDICATOR TITLE	6.3 PERCENTAGE OF ANCILLARY SERVICES EXECUTED.
ASSUMPTIONS	To provide the ancillary services as defined by SA Navy.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	95%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Executive Manager: Dockyard.

INDICATOR TITLE	6.4 PERCENTAGE OF TRAINING REQUESTS EXECUTED.
DEFINITION	Training provided in accordance with the plan and requirements submitted by SA Navy during the reporting period. Percentage of training requests executed.
PURPOSE	To measure the percentage of training requests executed.
SOURCE OF DATA	Signed Service Level Agreement. Signed training schedules by Director Fleet, Human Resources, SA Navy and Divisional Manager: Human Resources, Dockyard. AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	The performance is calculated by expressing the requests completed to requests allocated as a percentage on a cumulative basis over the reporting period.
MEANS OF VERIFICATION	Signed Service Level Agreement. Signed training schedules by Director Fleet, Human Resources, SA Navy and Divisional Manager: Human Resources, Dockyard. AGSA/Internal Audit report.
ASSUMPTIONS	To provide 100% training in accordance with the plan and requirements submitted by SA Navy during the reporting period.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	100%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Executive Manager: Dockyard.

INDICATOR TITLE	6.5 PERCENTAGE COMPLIANCE WITH QUARTERLY REPORT TIMELINES.
DEFINITION	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. Percentage compliance with quarterly report timelines.
PURPOSE	To measure the percentage compliance with quarterly report timelines.
SOURCE OF DATA	Signed Service Level Agreement. Signed "Acknowledgement of Receipt" by Flag Officer Fleet. AGSA/Internal Audit report
METHOD OF CALCULATION/ ASSESSMENT	Performance is calculated by taking the amount of reports delivered on the 15th of July, 15th of October, 15th of January and 15th of April to the amount of reports required expressed as a percentage in a cumulative manner over the reporting period.
MEANS OF VERIFICATION	Signed Service Level Agreement. Signed "Acknowledgement of Receipt" by Flag Officer Fleet. AGSA/Internal Audit report.
ASSUMPTIONS	To supply the quarterly reports to Flag Officer Fleet that addresses inter-alia project performance status, financial statements, risks with mitigating plans, capabilities, facilities and ancillary services status reporting as per reporting timeline schedule.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	100%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Executive Manager: Dockyard.

#### Output 1: Defence matériel product life cycle provided

##### O1 A1: Management of DOD owned Intellectual Property

- Effective Technology and IP Management

INDICATOR TITLE	7.1 PERCENTAGE DEVELOPMENT AND TEST SERVICES: • PERCENTAGE COMPLIANCE WITH DOD CONTRACTED WORK, IN ACCORDANCE WITH SLA BETWEEN ARMSCOR AND DOD.
DEFINITION	The percentage of compliance with the Technology Development Master Plan (TDMP) according to the SLA between Armcor and DOD.  The TDMP captures the DOD technology requirements and their associated budget allocations. Performance is indicated through the commitment of budgeted funds i.e. order placement.
PURPOSE	To measure the percentage compliance with DOD contracted work, in accordance with SLA between Armcor and DOD.

INDICATOR TITLE	<b>7.1 PERCENTAGE DEVELOPMENT AND TEST SERVICES: • PERCENTAGE COMPLIANCE WITH DOD CONTRACTED WORK, IN ACCORDANCE WITH SLA BETWEEN ARMSCOR AND DOD.</b>
SOURCE OF DATA	Report DXXR7A. RPT: Financial report providing proof of 90% compliance to the TDMP in accordance with SLA between DOD and Armcor.
METHOD OF CALCULATION/ ASSESSMENT	Quarterly Reporting: Actual value committed (YTD) divided by the planned value to be committed. Annual Reporting: Consolidated actual value committed (YTD) divided by the planned value to be committed. Performance expressed as a percentage.
MEANS OF VERIFICATION	Report DXXR7A. RPT: Financial report providing proof of 90% compliance to the TDMP in accordance with SLA between DOD and Armcor. Internal Audit report.
ASSUMPTIONS	To participate and execute the Technology Development Master Plan, conduct research to sustain and grow defence technology base, maintain and sustain strategic test capabilities.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	90%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Research and Development.

INDICATOR TITLE	<b>7.2 MAINTAIN A COMPLETE AND COMPREHENSIVE IP REGISTER, WHICH ENSURES THE MAINTENANCE OF AN UNQUALIFIED AUDIT OPINION, IN RESPECT OF DOD INTANGIBLE CAPITAL ASSETS UNDER ARMSCOR'S MANAGEMENT.</b>
DEFINITION	Maintenance of complete and comprehensive IP register.
PURPOSE	To measure the maintenance of a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of DOD Intangible Capital Assets under Armcor's management.
SOURCE OF DATA	IP register and letter from the Director of the Assets Management of the DOD.
METHOD OF CALCULATION/ ASSESSMENT	Unqualified audit opinion.
MEANS OF VERIFICATION	Letter from the DOD's Director Asset Management confirming the Audit outcome in respect of Intangible Assets. AGSA report.
ASSUMPTIONS	Effective management of IP-related technologies.

INDICATOR TITLE	7.2 MAINTAIN A COMPLETE AND COMPREHENSIVE IP REGISTER, WHICH ENSURES THE MAINTENANCE OF AN UNQUALIFIED AUDIT OPINION, IN RESPECT OF DOD INTANGIBLE CAPITAL ASSETS UNDER ARMSCOR'S MANAGEMENT.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	<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>
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	<p>Quarterly.</p> <p>The register for the financial year will be maintained throughout the financial year and will only be submitted to the AG, through the DOD, at the end of the financial year.</p> <p>The IP register will be updated quarterly with the additions of IP completed by Acquisition Department during each quarter. The Interim Financial Statement Notes will be compiled quarterly.</p>
DESIRED PERFORMANCE	31 March 2025.
INDICATOR RESPONSIBILITY OWNER	<p>Chief Executive Officer.</p> <p>Group Executive: Research and Development.</p>

INDICATOR TITLE	7.3 COMMERCIALISE ONE IP TECHNOLOGY. (PROVIDED THAT THERE IS AN ARMSCOR OWNED DUAL-USE TECHNOLOGY THAT IS AT TECHNOLOGY READINESS LEVEL 9 AND CAN BE COMMERCIALISED).
DEFINITION	The conclusion of an agreement for commercialisation of at least one IP Technology which is at Technology Readiness Level (TRL) 9 (ready for market) in the new market. This involves finding a partner, negotiating the terms and the conditions of the agreement and following the Armscor IP exploitation governance process to obtain approval of the agreement.
PURPOSE	To measure the commercialisation of one IP Technology.
SOURCE OF DATA	Proof of submission to GE, EXCO, TISS or Board of Directors.
METHOD OF CALCULATION/ ASSESSMENT	Number of IP technology submissions to either one of the following: GE, EXCO, TISS or Board of Directors by 31 March 2025.
MEANS OF VERIFICATION	<p>Proof of any of the following steps undertaken pursuant to advancing an Armscor technology from one technology readiness level (TRL) to the next, or identification of a potential partner, on negotiation and drafting an agreement, or obtaining approval of an agreement or placement of orders for the technology based products, or a progress report to the GE on IP commercialisation activities that have been pursued.</p> <p>Internal Audit report.</p>
ASSUMPTIONS	Effective management of IP-related technologies.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	<p>Target for Women: N/A.</p> <p>Target for Youth: N/A.</p> <p>Target for People with Disabilities: N/A.</p>
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.

<b>INDICATOR TITLE</b>	<b>7.3 COMMERCIALISE ONE IP TECHNOLOGY. (PROVIDED THAT THERE IS AN ARMSCOR OWNED DUAL-USE TECHNOLOGY THAT IS AT TECHNOLOGY READINESS LEVEL 9 AND CAN BE COMMERCIALISED).</b>
<b>CALCULATION TYPE</b>	Non-Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	31 March 2025.
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Group Executive: Research and Development.

## OUTCOME 2: ACCOUNTABLE AND EFFECTIVE GOVERNANCE OF ARMSCOR CORPORATE

### Output 2: Armscor Effectively Administered

#### O2 A1: Provide Strategic Direction

<b>INDICATOR TITLE</b>	<b>1.1 ARMSCOR'S ACCOUNTABILITY DOCUMENTS ALIGNED WITH THE PFMA PRESCRIPTS.</b>
<b>DEFINITION</b>	PFMA prescripts requires that Armscor's accountability documents, such as Corporate Plan, Annual Report and Quarterly Performance Report, upon approval be submitted to various stakeholders i.e. Minister of Defence and Military Veterans, Secretary of Defence, Parliament, Department of Planning, Monitoring and Evaluation (DPM&E), National Treasury and AGSA.
<b>PURPOSE</b>	To measure full compliance with the requirements of the PFMA prescripts on Armscor's accountability documents.
<b>SOURCE OF DATA</b>	Proof of submission of Armscor's accountability documents aligned with the PFMA prescripts.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	All proof of submissions of Armscor's accountability documents to National Treasury, as per PFMA requirement for the reporting period include: <ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Annual Report</li> <li>• Quarterly Reporting</li> </ul>
<b>MEANS OF VERIFICATION</b>	Proof of submissions of Armscor's accountability documents. Internal Audit report.
<b>ASSUMPTIONS</b>	Submission of Armscor's accountability documents aligned with the PFMA prescripts.
<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>	31 March 2025.
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Group Executive: Business Assurance.

## Output 2: Armscor Effectively Administered

## O2 A1: Provide Strategic Direction

INDICATOR TITLE	1.2 PERCENTAGE COMPLIANCE OF ARMSCOR TO PARLIAMENTARY REQUIREMENTS/ ACTIVITIES/QUESTIONS.
DEFINITION	<p>Parliamentary questions are tools that can be used by Members of Parliament and or Portfolio Committees to seek information or to press National Departments and or Public Entities, reporting to the Executive Authority, for action. They oblige Ministers to explain and defend the work, policy decisions and actions of their Departments and Public Entities. All questions tabled are published provisionally in the blue pages of the Order Paper (Announcement, Tabling and Committee [ATC Reports] the 'blues') and thereafter appear in the Question Book (the 'whites') and on the Parliamentary Information Management System (PIMS).</p> <p>All answers (and the original questions), whether transcribed from the Chamber or recorded from a printed format, are set out in the Official Report and PIMS so they are easily accessible.</p> <p>There are four categories of question in the House of Commons:</p> <ol style="list-style-type: none"> <li>a. Questions for Oral Answer.</li> <li>b. Questions for Written Answer</li> <li>c. Cross-cutting questions.</li> <li>d. Urgent Questions.</li> </ol> <p>According to the Minister of Defence and Military Veterans (MOD&amp;MV) Agreement with the President (October 2020) and the MOD&amp;MV Priorities 2021, Activity 2.1. "Account to Parliament for the exercising of powers and performance functions related to the Defence Portfolio", Services, Divisions, Organs of State as well as Public Entities, reporting to the MOD&amp;MV, are required to provide responses relevant to their environment on Parliamentary and Portfolio Committee on Defence questions and to appear before Parliament of the Portfolio Committee on Defence, as and when required, at a specified turnaround time (within 7 days from receipt).</p>
PURPOSE	<p>To measure the extent to which the Armscor responds to Parliamentary questions and or appear before Parliament of the Portfolio Committee on Defence, at a specified turnaround, as prescribed by the Parliamentary Programme and or prescribed by National Legislation. The indicator is suppose to provide information on time-based reactions. To ensure departmental compliance with National and Parliamentary/Portfolio requirements, such as but not limited to:</p> <p><u>National Requirements:</u></p> <p>Corporate Plans presented to Parliament/Portfolio Committee, prior to the Minister's Budget Vote.</p> <p>Armscor Annual Reports presented to Parliament/Portfolio Committee.</p> <p><u>Parliamentary/Portfolio Requirements:</u></p> <p>As indicated in the Budget Review and Recommendation Report.</p> <p>As requested of Armscor on a specific matter/s.</p>
SOURCE OF DATA	<ol style="list-style-type: none"> <li>1. Announcement, Tabling and Committee [ATC Reports] the 'blues'.</li> <li>2. Questions for Oral Answer.</li> <li>3. Questions for Written Answer.</li> <li>4. Cross-cutting Questions.</li> <li>5. Urgent Questions.</li> </ol>

INDICATOR TITLE	1.2 PERCENTAGE COMPLIANCE OF ARMSCOR TO PARLIAMENTARY REQUIREMENTS/ ACTIVITIES/QUESTIONS.
METHOD OF CALCULATION/ ASSESSMENT	Score = $x / y * 100$ Parliamentary/Portfolio Committee on Defence questions response submitted/ Parliamentary/ Portfolio Committee on Defence questions received X 100
MEANS OF VERIFICATION	1. Announcement, Tabling and Committee [ATC Reports] the 'blues'. 2. Questions for Oral Answer. 3. Questions for Written Answer. 4. Cross-cutting Questions. 5. Urgent Questions.
ASSUMPTIONS	Public Entities and Organs of State respond to the Parliamentary questions or request to appear before Parliament/Portfolio Committee on Defence on time.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	100%
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Business Assurance. Group Executive: Business Development

### Output 2: Armscor Effectively Administered

#### O2 A2: Manage the Service Level Agreement

INDICATOR TITLE	2.1 REVIEW AND FINALISE DOD AND ARMSCOR SERVICE LEVEL AGREEMENT 2025/26 – 2027/28.
DEFINITION	To review and finalise the Service Level Agreement for 2025/26 – 2027/28 between Armscor and the DOD in ensuring continuous business operations.
PURPOSE	To measure the review and finalisation of the Service Level Agreement between Armscor and DOD.
SOURCE OF DATA	A revised and finalised Service Level Agreement for 2025/26 – 2027/28 and signed by all parties.
METHOD OF CALCULATION/ ASSESSMENT	The approved DOD and Armscor Service Level Agreement by 31 March 2025. Internal Audit report.
MEANS OF VERIFICATION	The proof of approved DOD and Armscor Service Level Agreement for 2025/26 – 2027/28 that is signed by DOD and Armscor.



INDICATOR TITLE	2.1 REVIEW AND FINALISE DOD AND ARMSCOR SERVICE LEVEL AGREEMENT 2025/26 – 2027/28.
ASSUMPTIONS	To review and finalise the DOD and Armscor Service Level Agreement for 2025/26 – 2027/28 between DOD and Armscor.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	31 March 2025.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Chief Financial Officer.

### Output 3: Armscor Support Functions provided

#### O3 A1: Provide Corporate Finance

- **Revenue Generation: Generate additional income from existing and new sources. Payment to Suppliers.**

INDICATOR TITLE	GROUP REVENUE
DEFINITION	Increasing the net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the short-to-medium term.
PURPOSE	To measure the Armscor group revenue including (gross sales, transfer payment, other income and finance income).
SOURCE OF DATA	Armscor Financial Statements.
METHOD OF CALCULATION/ ASSESSMENT	Addition of amounts reflected as sale of goods, rendering of services, transfer payment (including differed income), other income (including other income, dividend received and rental income and finance income).
MEANS OF VERIFICATION	Financial statements Internal Audit report.
ASSUMPTIONS	To generate additional income from existing and new sources.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	Target for Women: N/A. Target for Youth: N/A. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.

<b>CALCULATION TYPE</b>	Non-Cumulative.
<b>REPORTING CYCLE</b>	Quarterly.
<b>DESIRED PERFORMANCE</b>	R1 824,9m.
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Chief Financial Officer.

<b>INDICATOR TITLE</b>	<b>3.1 OTHER REVENUE</b>
<b>DEFINITION</b>	To increase the other income of Armscor to meet the funding needs in the short-to-medium term. Other Revenue includes other commercial income, the Primary Transfer Payment and interest income.
<b>PURPOSE</b>	To measure Armscor's other income.
<b>SOURCE OF DATA</b>	Armscor Financial Statements.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Addition of amounts reflected as other income (including other income, dividend received and rental income).
<b>MEANS OF VERIFICATION</b>	Financial statements. Internal Audit report.
<b>ASSUMPTIONS</b>	To generate additional income from existing and new sources.
<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>	R1 341,1m
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Chief Financial Officer.

<b>INDICATOR TITLE</b>	<b>3.2 REVENUE FROM EXISTING FACILITIES OF ARMSCOR R&amp;D.</b>
<b>DEFINITION</b>	Realisable increase in revenue from the existing facilities of Armscor R&D to ensure that Armscor meet its funding needs in the short-to-medium term.
<b>PURPOSE</b>	To measure the revenue from existing facilities of Armscor R&D.
<b>SOURCE OF DATA</b>	Armscor Financial Statement.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Score = Total of revenue amount which is sales (Service Level Agreements; Non-DOD Government Orders; Local Commercial Work; and Foreign Commercial Work; DOD MoA; DOD Government orders; KT orders) and other income.
<b>MEANS OF VERIFICATION</b>	Gross sales and Other Income for R&D.

INDICATOR TITLE	3.2 REVENUE FROM EXISTING FACILITIES OF ARMSCOR R&D.
ASSUMPTIONS	To generate additional income from existing facilities of Armscor R&D. Internal Audit report.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	R424,7m.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Research and Development.

INDICATOR TITLE	3.3 REVENUE GENERATED FROM THE BUSINESS ENABLEMENT UNIT.
DEFINITION	The generated revenue from Business Enablement Unit to ensure that Armscor meet its funding needs in the short-to-medium term.
PURPOSE	To measure the revenue generated from the Business Enablement Unit.
SOURCE OF DATA	Armscor Financial Statement.
METHOD OF CALCULATION/ ASSESSMENT	Add "Other Income" "Gross Contribution from Sales" and Logistics Division's specific allocation of transfer payment together.
MEANS OF VERIFICATION	Armscor Financial Statement. Internal Audit report.
ASSUMPTIONS	The generated revenue from Business Enablement Unit.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	R59,1m.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Business Enablement.

INDICATOR TITLE	3.4 PERCENTAGE PAYMENTS WITHIN 30 DAYS OF RECEIPT OF LEGITIMATE INVOICES.
DEFINITION	Armcor's commitment that all legitimate invoices are paid to the suppliers within 30 days of receipt.
PURPOSE	To measure the payments within 30 days from receipt of legitimate invoices.
SOURCE OF DATA	Proof of payment from the Armcor's financial system report.
METHOD OF CALCULATION/ ASSESSMENT	The total number of legitimate invoices paid within 30 days divided by the total number of legitimate invoices received multiply by 100 = %.
MEANS OF VERIFICATION	Armcor's financial system report. Internal Audit report.
ASSUMPTIONS	To commit to payments within 30 days of receipt of legitimate invoices.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non- Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	95%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Chief Financial Officer.

### Output 3: Armcor Support Functions provided

#### O3 A1: Provide Corporate Finance

- **Cost Management: Reduce Group costs, including finance, capital, and operating costs, to ensure zero financial deficit.**

INDICATOR TITLE	4.1 IMPROVE NET FINANCIAL POSITION.
DEFINITION	Strategic capability maintenance, "while reducing costs", to ensure that Armcor remains sustainable to meet its funding needs in the short-to-medium term.
PURPOSE	To measure the improvement of the net financial position.
SOURCE OF DATA	Statement of Financial Performance for the Armcor Group.
METHOD OF CALCULATION/ ASSESSMENT	Surplus or deficit for the year.
MEANS OF VERIFICATION	Statement of Financial Performance for the Armcor Group. Internal Audit report.
ASSUMPTIONS	To reduce Group costs, including finance, capital, and operating costs, to ensure zero financial deficit.

DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	R88,8m deficit.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Chief Financial Officer.

### Output 3 : Armscor Support Functions provided

#### O3 A2: Provide Corporate Support

- **Efficient and Effective Delivery: Infrastructure Renewal and Transformation of Corporation**

INDICATOR TITLE	<b>5.1 RENEW APPLICATION SYSTEMS TO IMPROVE EFFECTIVENESS AND EFFICIENCY:</b> • IMPLEMENTATION OF THE APPROVED DIGITISATION PLAN.
DEFINITION	The implementation of the digitisation plan as approved by the Board of Directors.
PURPOSE	To measure the renewal of the application systems to improve effectiveness and efficiency. The digitisation plan is the overarching plan which encompasses, amongst other components, the ERP.
SOURCE OF DATA	The approved digitisation plan.
METHOD OF CALCULATION/ ASSESSMENT	The approved digitisation plan to be implemented as follows: <ul style="list-style-type: none"> <li>• Complete implementation of Human Resource Management and Payroll ERP modules by 30 September 2024.</li> <li>• Complete installation of new ICT Network setup by 30 September 2024.</li> <li>• Complete digitisation of data reporting and non-corporate business processes 31 March 2026</li> <li>• Complete implementation of Finance ERP module by 31 March 2026.</li> <li>• Complete implementation of Supply Chain Management module 31 March 2026.</li> </ul>
MEANS OF VERIFICATION	Proof of the implementation phases in line with the digitisation plan. Internal Audit report.
ASSUMPTIONS	Renewal of application systems to improve efficiency and effectiveness.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.

<b>INDICATOR TITLE</b>	<b>5.1 RENEW APPLICATION SYSTEMS TO IMPROVE EFFECTIVENESS AND EFFICIENCY:</b> • <b>IMPLEMENTATION OF THE APPROVED DIGITISATION PLAN.</b>
<b>DESIRED PERFORMANCE</b>	30 September 2024.
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>5.2 PERCENTAGE IMPROVEMENT IN CYBERSECURITY CAPABILITY MATURITY LEVEL:</b>  • <b>PERCENTAGE IMPLEMENTATION OF THE ANNUALLY APPROVED CYBERSECURITY CAPABILITY IMPLEMENTATION PLAN IN ORDER TO ACHIEVE ARMSCOR DESIRED CYBERSECURITY CAPABILITY MATURITY LEVEL.</b>
<b>DEFINITION</b>	Measuring the improvement of the information security in Armscor through the implementation of the annually approved Cybersecurity Capability Implementation plan. The activities in the plan are as follows: <ul style="list-style-type: none"> <li>• Addressing the audit findings from the Auditor-General.</li> <li>• Addressing the Internal Audit findings.</li> <li>• Cybersecurity Maturity Improvement Plan (Development of cybersecurity capability, process and governance controls, people controls and monitoring, intelligence and incident recovery).</li> </ul>
<b>PURPOSE</b>	To measure the percentage implementation of the annually approved Cybersecurity Capability Implementation plan towards achieving a desired maturity level as articulated in the annual plan to be implemented.
<b>SOURCE OF DATA</b>	The annually approved Cybersecurity Capability Implementation plan.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Quarterly Reporting: Actual percentage implementation (YTD) of the annually approved Cybersecurity Capability Implementation Plan. Annual Reporting: Consolidated percentage implementation of the annually approved Cybersecurity Capability Implementation Plan by 31 March 2025.  Performance will be calculated based on the average percentage of the three activities identified in the Cybersecurity Capability Implementation plan.  Performance expressed as a percentage.
<b>MEANS OF VERIFICATION</b>	The annually approved Cybersecurity Capability Implementation plan. Internal Audit report.
<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>	Annually.

<b>INDICATOR TITLE</b>	<b>5.2 PERCENTAGE IMPROVEMENT IN CYBERSECURITY CAPABILITY MATURITY LEVEL:</b> <ul style="list-style-type: none"> <li>PERCENTAGE IMPLEMENTATION OF THE ANNUALLY APPROVED CYBERSECURITY CAPABILITY IMPLEMENTATION PLAN IN ORDER TO ACHIEVE ARMSCOR DESIRED CYBERSECURITY CAPABILITY MATURITY LEVEL.</li> </ul>
<b>DESIRED PERFORMANCE</b>	80%
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Group Executive: Research and Development.

<b>INDICATOR TITLE</b>	<b>5.3 ACHIEVEMENT OF APPROVED EMPLOYMENT EQUITY PLAN THAT IS DIRECTED TOWARDS:</b> <ul style="list-style-type: none"> <li>PERCENTAGE IMPROVEMENT FOR FEMALE REPRESENTATION.</li> </ul>
<b>DEFINITION</b>	Monitor and manage the improvement of female representation in line with the approved Employment Equity Plan.
<b>PURPOSE</b>	To measure the percentage improvement for female representation.
<b>SOURCE OF DATA</b>	Staff profile for permanent employees report.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Total number of female employees divided by total number of employees = % achieved.
<b>MEANS OF VERIFICATION</b>	Human Capital profile for permanent employees report. Internal Audit report.
<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>	<ol style="list-style-type: none"> <li>Target for Women: 40% female employees.</li> <li>Target for Youth: N/A.</li> <li>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>	Annually.
<b>DESIRED PERFORMANCE</b>	40%.
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	5.4 CONTROLLABLE STAFF TURNOVER IN TECHNICAL POSITIONS, EXCLUDING RETIREMENTS (LESS THAN OR EQUAL TO 4%).
DEFINITION	Monitor the incoming controllable staff in technical positions by excluding the retirements in a margin of less than or equal to 4%.
PURPOSE	To measure the controllable staff turnover in technical positions, excluding retirements (less than or equal to 4%).
SOURCE OF DATA	Human resource report: Resignations in technical categories.
METHOD OF CALCULATION/ ASSESSMENT	Total technical resignations divided by total technical positions per month divided by 13 multiply by 12 months divided by 12 months multiply by 100.
MEANS OF VERIFICATION	Human resource report: Resignations in technical categories. Internal Audit report.
ASSUMPTIONS	To monitor and ensure retention of controllable staff turnover in technical positions with the exclusion of resignations.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	≤4%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	5.5 SKILLS DEVELOPMENT PROGRAMME: • PROVISION OF BURSARIES FOR FULL-TIME STUDIES (CUMULATIVE NUMBER).
DEFINITION	Monitor and manage the skills development programme through providing the number of bursaries to the number of students studying full-time.
PURPOSE	To measure the provision of bursaries for full-time studies.
SOURCE OF DATA	Detailed Armscor bursary holders list.
METHOD OF CALCULATION/ ASSESSMENT	Actual number of awarded bursary for full-time studies.
MEANS OF VERIFICATION	Detailed Armscor bursary holders list. Internal Audit report.
ASSUMPTIONS	To provide bursaries to the number of full-time students with an aim to ensure skills development.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	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 OWNER</b>	Chief Executive Officer. Group Executive: Corporate Support.

<b>INDICATOR TITLE</b>	<b>5.5 SKILLS DEVELOPMENT PROGRAMME:</b> <ul style="list-style-type: none"> <li><b>CONTRACTING AND DEVELOPMENT OF GRADUATE AS INTERNS, I.E. TALENT DEVELOPMENT PROGRAMME (CUMULATIVE NUMBER). (NOTE: ARMSCOR TO PROACTIVELY ACCOMMODATE YOUTH AND MILITARY VETERANS IN CONTRACTING TDPS).</b></li> </ul>
<b>DEFINITION</b>	Monitor and manage the skills development programme through providing the appointment and development of employees in the talent development programme.
<b>PURPOSE</b>	To measure the contracting and development of graduate as interns, i.e. 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 at the end of the financial year.
<b>MEANS OF VERIFICATION</b>	Detailed Armscor talent and development candidate list. Internal Audit report.
<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>	<ol style="list-style-type: none"> <li>Target for Women: N/A.</li> <li>Target for Youth: 30 TDPs employed per year.</li> <li>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>	Annually.
<b>DESIRED PERFORMANCE</b>	30.
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	5.6 TOTAL NUMBER OF PEOPLE EMPLOYED WITH DISABILITIES (including TDPs and Learnerships).
DEFINITION	To monitor the number of employees with disabilities employed by Armscor during the period under review.
PURPOSE	To measure the total number of people employed with disabilities.
SOURCE OF DATA	Detailed Armscor list of employees employed with disabilities.
METHOD OF CALCULATION/ ASSESSMENT	Number of people with disabilities including TDPs and Learnerships.
MEANS OF VERIFICATION	Detailed Armscor list of employees employed with disabilities. Internal Audit report.
ASSUMPTIONS	To ensure transformation of the Corporation through employing people with disabilities, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armscor Employment Equity Plan.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	<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: 28 people employed with disabilities (including TDPs and Learnerships).</li> </ol>
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	28.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	5.7 CONDUCT ORGANISATIONAL STRUCTURE REVIEW. • Approved organisational structure.
DEFINITION	Review of the organisational structure, with a view of strategically positioning Armscor to meet its legislative mandate effectively and efficiently.
PURPOSE	To conduct a review of the organisational structure.
SOURCE OF DATA	Organisational structure review report.
METHOD OF CALCULATION/ ASSESSMENT	The organisational structure reviewed and approved by the Board.
MEANS OF VERIFICATION	Approved organisational structure. Internal Audit report.
ASSUMPTIONS	To obtain approved organisational structure to improve on effectiveness and efficiency.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	<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>INDICATOR TITLE</b>	<b>5.7 CONDUCT ORGANISATIONAL STRUCTURE REVIEW.</b> • Approved organisational structure.
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Non-Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	31 March 2025
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Group Executive: Corporate Support.

### Output 3: Armscor Support Functions provided

#### O3 A3: Provide Business Assurance

- **Efficient and Effective Delivery: Governance of Armscor Corporate**

<b>INDICATOR TITLE</b>	<b>6.1 MILITARY VETERANS (MV): PREFERENTIAL PROCUREMENT FROM MILITARY VETERANS ENTITIES. (Percentage of total procurement spend)</b>
<b>DEFINITION</b>	To monitor and measure the percentage of total procurement spend on the preferential procurement from military veterans entities.
<b>PURPOSE</b>	To measure the percentage of total procurement spend on military veterans entities.
<b>SOURCE OF DATA</b>	The total procurement spend report on military veteran's entities.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	The procurement spend from different divisions added together and divided by the total amount allocated for preferential procurement of military veterans entities multiply by 100.
<b>MEANS OF VERIFICATION</b>	The total procurement spend report on military veteran's entities. Internal Audit report.
<b>ASSUMPTIONS</b>	To provide support to the Military Veterans entities through the preferential procurement.
<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>	2%.
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Group Executive: Business Assurance.

## OUTCOME 2: ACCOUNTABLE AND EFFECTIVE GOVERNANCE OF ARMSCOR CORPORATE

### Output 4: Defence International Armaments trade compliance provided

#### O4 A1: Provide Stakeholder Management

- Stakeholder Management: Armscor to build, maintain, and strengthen relationships with all its stakeholders

INDICATOR TITLE	7.1 STAKEHOLDER SURVEY (CONDUCTED EVERY SECOND YEAR).
DEFINITION	Improvement of long-lasting strategic relationships with external stakeholders of Armscor.
PURPOSE	To measure the percentage improvement of long-lasting strategic relationships with external relationship with external stakeholders of Armscor.
SOURCE OF DATA	Stakeholder survey results.
METHOD OF CALCULATION/ ASSESSMENT	Stakeholder survey results to reflect 1% improvement from 2022/23.
MEANS OF VERIFICATION	Employee engagement survey results. Internal Audit report.
ASSUMPTIONS	Developing and maintaining long-lasting, strategic relationships with external stakeholders.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	Target for Women: N/A. Target for Youth: N/A. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	1% improvement.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	7.2 EMPLOYEE ENGAGEMENT SURVEY (CONDUCTED EVERY THIRD YEAR): PERCENTAGE IMPLEMENTATION OF IDENTIFIED INTERVENTIONS BASED ON 2020/21 SURVEY.
DEFINITION	Improvement of long-lasting strategic relationships with internal stakeholders of Armscor and determining the baseline going forward.
PURPOSE	To measure the percentage implementation of identified interventions based on 2020/21 survey.
SOURCE OF DATA	Employee engagement survey results measured against the list of activities per financial year.
METHOD OF CALCULATION/ ASSESSMENT	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>INDICATOR TITLE</b>	<b>7.2 EMPLOYEE ENGAGEMENT SURVEY (CONDUCTED EVERY THIRD YEAR): PERCENTAGE IMPLEMENTATION OF IDENTIFIED INTERVENTIONS BASED ON 2020/21 SURVEY.</b>
<b>MEANS OF VERIFICATION</b>	Employee engagement survey results. Internal Audit report.
<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>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	100%.
<b>INDICATOR RESPONSIBILITY OWNER</b>	Chief Executive Officer. Group Executive: Corporate Support.

**Table 18: AMENDMENT TO THE PERFORMANCE INDICATORS THAT ARE REFLECTED IN THE ARMSCOR CORPORATE PLAN 2023/24 TO 2026/27 FINANCIAL YEARS**

Serial No.	Location of Amendment	Performance Indicator as reflected in Armscor Corporate Plan 2023 – 2026	Amendment as reflected in Armscor Corporate Plan for 2024
1.	Table 10: Armscor's Service Delivery Indicators	<p>Percentage of DOD Capital requirements converted into orders placed. Capital requirements will be registered upon approval of the Project Study Report by the DOD and the Functional Baseline by Armscor, and confirmation by the DOD of funds availability. (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 3A requirements from the DOD). A paragraph was added to the performance indicator to read "(Factors beyond Armscor's control preventing the conversion into orders will be excluded from the achievement against the target, i.e. receipt of requirement, cancellation of requirement, insufficient / lack of funding, provided that the request has been received by Armscor before the beginning of Quarter 4 of the financial year)". As amended by the Business Unit.</p>	<p>Percentage of DOD Capital requirements converted into orders placed. Capital requirements will be registered upon approval of the Project Study Report by the DOD and the Functional Baseline by Armscor, and confirmation by the DOD of funds availability. (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 3A requirements from the DOD). A paragraph was added to the performance indicator to read "(Factors beyond Armscor's control preventing the conversion into orders will be excluded from the achievement against the target, i.e. receipt of requirement, cancellation of requirement, insufficient / lack of funding, provided that the request has been received by Armscor before the beginning of Quarter 4 of the financial year)". As amended by the Business Unit.</p>
2.	Table 10: Armscor's Service Delivery Indicators	<p>Percentage 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).</p>	<p>Percentage 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). A paragraph was added to the performance indicator to read "Letters signed by the DOD and indicating the estimated amounts that will roll over per contract will support adjustments deemed to be beyond Armscor's control". As amended by the Business Unit.</p>

Serial No.	Location of Amendment	Performance Indicator as reflected in Armscor Corporate Plan 2023 – 2026	Amendment as reflected in Armscor Corporate Plan for 2024
3.	Table 10: Armscor's Service Delivery Indicators	<p>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 (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>	<p>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 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). A paragraph was added to the performance indicator to read "(Factors beyond Armscor's control preventing the conversion into orders will be excluded from the achievement against the target, i.e. receipt of requirement, cancellation of requirement, insufficient / lack of funding, provided that the request has been received by Armscor before the beginning of Quarter 4 of the financial year)". As amended by the Business Unit.</p>
4.	Table 10: Armscor's Service Delivery Indicators.	<p>Percentage 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>	<p>Percentage 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). A paragraph was added to the performance indicator to read "Letters signed by the DOD and indicating the estimated amounts that will roll over per contract will support adjustments deemed to be beyond Armscor's control". As amended by the Business Unit.</p>

Serial No.	Location of Amendment	Performance Indicator as reflected in Armscor Corporate Plan 2023 – 2026	Amendment as reflected in Armscor Corporate Plan for 2024
5.	Table 10: Armscor's Service Delivery Indicators.	<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 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>A paragraph to the performance indicator was amended to read "(Time taken from registration of requirement to placement of contract-excluding time required for FA approval, as measured on the Armscor Business Register)".</p>	<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 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>A paragraph to the performance indicator was amended to read "(Time taken from registration of requirement to placement of contract-excluding time required for FA approval, as measured on the Armscor Business Register)".</p>
6.	Table 11: The Strategic Outputs in Armscor's Corporate Plan 2023 – 2026.	<p>Group Revenue (transfer payment, other income, and finance income).</p>	<p>Group Revenue (transfer payment, other income, and finance income). The performance indicator is revised to read "Group Revenue".</p>
7.	Table 11: The Strategic Outputs in Armscor's Corporate Plan 2023 – 2026.	<p>Percentage increase in revenue from existing facilities of Armscor R&amp;D.</p>	<p>Percentage increase in revenue from existing facilities of Armscor R&amp;D. The performance indicator is revised to read "Revenue from existing facilities of Armscor R&amp;D."</p>
8.	Table 11: The Strategic Outputs in Armscor's Corporate Plan 2023 – 2026.	<p>Percentage Improvement in Cybersecurity Capability: Percentage Implementation of the annually approved Cybersecurity Capability Implementation plan.</p>	<p>Percentage Improvement in Cybersecurity Capability: Percentage Implementation of the annually approved Cybersecurity Capability Implementation plan.</p> <p>The performance indicator is revised to read "Percentage Improvement in Cybersecurity Capability maturity level: Percentage Implementation of the annually approved Cybersecurity Capability Implementation plan in order to achieve Armscor desired Cybersecurity Capability maturity level".</p>



**PERFORMANCE INFORMATION RELATED TO THE SOUTH AFRICAN DEFENCE REVIEW 2015: “DEFENCE PLAN TO ARREST THE DECLINE”:  
NON COST DELIVERABLES**

**Table 19: Pledge of Support by Armscor to the “Defence Plan to Arrest the Decline”: Non-costed Deliverables**

No.	DR 2015 End State	DR 2015 Deliverables/ Output	MOD&MV Priority	Owner	Performance Indicator	2024/25 Target	Linkage to Armscor Strategy Map	Armscor Support	National Development Plan linked to MTSF Priority
1.	Promulgated Defence Secretariat Strategy	Developed	Defence Strategic Direction	SecDef (CDPSP)	D3_01B: Percentage adherence to DOD governance schedule (Strategy) New Indicator	Submitted for approval	D1	Group Executive: R&D and Senior Manager: Corporate Strategy and Planning	MTSF Priority 6 and 7
2.	Promulgate Military Strategy, Force Design and Structure	Developed	Defence Strategic Direction and Resourcing Direction	SANDF (CoS)	D3_01B: Percentage compliance with progress of Military Strategic Direction Register New Indicator	Submitted for approval	D1 & R4	Group Executive: R&D and Senior Manager: Corporate Strategy and Planning	MTSF Priority 6 and 7
3.	Support (As reflected in the DOD APP 2016: Capability Sustainment renewal)	Defence National Industry Strategic Implementation Framework	Capability Sustainment Direction	SecDef (NDIC)	L1, D3-01B: Percentage adherence to DOD governance promulgation schedule (Strategy)	National Defence Industry Strategic Implementation Framework submitted for approval	D1	Group Executive: Acquisition and SCM, R&D and Senior Manager: Corporate Strategy and Planning	MTSF Priority 6 and 7

No.	DR 2015 End State	DR 2015 Deliverables/ Output	MOD&MV Priority	Owner	Performance Indicator	2024/25 Target	Linkage to Armscor Strategy Map	Armscor Support	National Development Plan linked to MTSF Priority
4.	Promulgated Border Safeguarding Strategy	Developed	Strategic Resourcing Direction	CSANDF (CJOps)	D3_01B: Percentage adherence to DOD governance schedule (Strategy)	Submitted for approval	D1	Group Executive: Acquisition and SCM, and Group Executive: R&D	MTSF Priority 6 and 7
5.	Establish Cyber Warfare Capability in SANDF	Strategy submitted for approval	Capability Sustainment Direction	CSANDF (CDI)	D3_01B: Percentage adherence to DOD governance schedule (Strategy)	Strategy submitted for approval to the JCPS Cluster Ministers	D1	Group Executive: R&D	MTSF Priority 6 and 7
6.	Support (As reflected in the DOD APP 2016: Defence Academy Established)	Establish the Defence Academy	Human Resources Renewal	CHR (CDHRD)	R1-(new): Defence Academy Status	100 % (Comprehensive studies, strategies and plans to establish the Defence Academy developed)	R1	Group Executive: Corporate Support	MTSF Priority 6 and 7

## 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>	South African 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>COVID-19</b>	Coronavirus Disease 2019	<b>PPGI</b>	Public-Private Growth Initiative
<b>CSANDF</b>	Chief of South African National Defence Force		
<b>DDSI</b>	Defence Decision Support Institute	<b>R&amp;D</b>	Research and Development
<b>DED</b>	Docking and Essential Defects	<b>Ret.</b>	Retired
<b>DIF</b>	Defence industry Fund	<b>RFB</b>	Request for Bid
<b>DIP</b>	Defence Industrial Participation	<b>RISDP</b>	Regional Indicative Strategic Development Plan
<b>DOD</b>	Department of Defence	<b>RSA</b>	Republic of South Africa
<b>DMD</b>	Defence Matériel Division	<b>SA</b>	South Africa
<b>DOD APP</b>	Department of Defence: Annual Performance Plan	<b>SADC</b>	Southern African Development Community
		<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 Flamengro</b>	Financial Authority Fluid and Mechanical Engineering Group		<b>SONA</b>	State of the Nation Address
<b>FMEA FOSAD</b>	Failure Mode and Effect Analysis Forum of South African Directors-General		<b>SPs</b>	Strategic Plans
<b>GDA GRAP</b>	General Defence Accounts Generally Recognised Accounting Practices		<b>TDPs T&amp;E TDMP TRL</b>	Talent Development Programmes Test and Evaluation Technology Development Master Plan Technology Readiness Level
<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>WEF</b>	World Economic Forum
<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			



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