

# CORPORATE PLAN 2021

GATEWAY TO DEFENCE SOLUTIONS



**ARMSCOR**

Armaments Corporation of South Africa SOC Ltd

# CORPORATE PLAN 2021

GATEWAY TO DEFENCE SOLUTIONS

Date of Tabling: 11 March 2021



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# 1. Foreword

by the Minister of Defence and  
Military Veterans (MP)



I am pleased to present to the National Assembly, Armscor's Corporate Plan for the 2021/22 financial year.

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

Armscor exists primarily to procure what the SANDF requires in terms of defence materials. The Corporation is empowered to do so in terms of the Armaments Corporation of South Africa Limited Act, Act No. 51, of 2003, which was enacted to provide for the functions, accountability and finances of the Corporation. In essence, Armscor is unique in that it is the only entity of its kind on the African continent.

I would like to welcome the Board of Directors in their new appointment and am confident that the Board will continue to steer Armscor in the right direction to the next three years of their tenure.

Armscor as a Public Entity remains well positioned and maintains a solid track record in responding to its mandate within a framework of good governance and fiscal discipline.

My Ministry and I thank Armscor for their continued support to the Department of Defence (DOD) by contributing to the fight against COVID-19 by acquisition of supplies and the use of its research capabilities. The Corporation also assists the DOD in setting up and equipping tents to serve as military hospitals for COVID-19 patients.

The Minister of Defence and Military Veterans is fully behind Armscor to implement the Defence Sector Charter to transform the South African Defence Industry in line with other sectors of economic activity, as far as broad-based black empowerment is concerned. Those wanting to participate in an inclusive and transformed defence industry have these charter codes as deliverables. Armscor supported the launch of

the Defence Industry Fund, which provides a financial solution to the challenges that most SMMEs face.

This administration's developmental approach conceptualises developmental planning as a means of achieving national developmental priorities. Developmental planning, in this context, involves the South African government deciding on national priorities and creating a road map to achieve them.

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

The DOD will continue to pursue the implementation of the national policy on defence as articulated through the South African Defence Review 2015. The South African Defence Review 2015 and implementation plan of non-deliverables, further inform Armscor's Strategy and implementation plans. In this regard, the Corporate Plan articulates the ongoing support by Armscor to the National Development Plan, Vision 2030, and Medium-Term Strategic Framework (2019 – 2024) outcomes of government and the State of the Nation Address. It captures the key performance outputs, outcomes, and impact of Armscor during the 2021/22 financial year.

In conclusion, I fully commit myself and my department to provide the necessary Shareholder support and political guidance to Armscor, so it can meet its mandate and maintain Shareholder confidence. I am confident that Armscor will execute its mandate through the Corporate Plan 2021/22 financial year with professionalism and commitment.

**Ms N.N. Mapisa-Nqakula**  
**Minister of Defence and Military Veterans, MP**  
**Date: 28 February 2021**

## 2. Foreword

by the Chairperson



On behalf of the new Board of Directors, it is with great pleasure that we present Armscor's Corporate Plan for 2021. The Minister of Defence and Military Veterans (Minister) as the Shareholder, appointed the new Board on 1 December 2020 for a period of three years. We thank the Minister for the confidence in the new Board and commit to fulfilling Armscor's mandate.

We do not take this mandate and responsibility lightly and are aware of the many financial and industry related challenges that Armscor and the defence industry are facing, coupled with the impact of the COVID-19 pandemic on businesses in South Africa, Africa and globally.

The overstretched national fiscus and the reduced transfer payment to Armscor requires that, now more than ever, we need credible proposals to generate revenue for the Corporation and offer possible solutions to preserve the sovereign and strategic capabilities within the defence industry. We will do this by strengthening partnerships with various stakeholders both locally and abroad as defined in the Armaments Corporation of South Africa SOC Ltd (Act No. 51 of 2003) as amended.

The Board and the Executive Management of Armscor held a strategic review session where we reviewed the risks facing the organisation and the opportunities that are available to Armscor. This review devised apposite strategies to mitigate these risks and decided on a plan to take advantage of the many opportunities so as to execute Armscor's mission better. This is in alignment to the recently revised vision and mission of the Corporation which are: "To be the strategic partner of choice for the defence and security solutions" and "To meet the defence matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities," respectively. All these efforts will be in support of achieving our corporate strategic outputs of revenue generation;

cost management; efficient and effective delivery and stakeholder management.

We would like to thank the previous Board, whose term expired at the end of October 2020, for their leadership and dedication in ensuring that they leave an excellent bedrock for the new Board to build on.

Looking ahead, the global defence sector is expected to remain stable in 2021 as many countries have not reduced their military budgets due to geopolitical tensions that have intensified amid the global pandemic. Conversely, the South African defence industry has and will continue to face financial constraints, and it is in this regard that the Corporation must assume the critical role of nurturing the industry through this difficult period. The foregoing will focus, amongst others, on strategic business partnering with key stakeholders, robust shareholder and client engagement in order to unlock identified alternative revenue generation initiatives and sourcing external funding to revive the industry's order book in order to generating revenue for Armscor.

It is particularly in challenging times like these that a business relies on its employees, shareholder and clients as key constituents and it is in this vein that we would like to thank all these important players for their allegiance and trust during 2020. Management and staff will continue to work hard to implement the strategy and equip Armscor for the rapidly evolving defence industry environment.



**Dr P.D. Dexter**  
**Chairperson: Board of Directors**  
**Date: 28 February 2021**

# 3. Foreword

by the Chief Executive Officer



Armcor as a National Public Entity supports Government's priorities, hence this Corporate Plan is premised on key Government priorities of the sixth administration Medium-Term Strategic Framework priorities, 2019-2024, in support of the National Development Plan (NDP), "Vision 2030".

These Medium-Term Strategic Framework goals articulate the strategic focus of Government and its on-going commitment to build a stronger and effective State that is able to respond to the needs and aspirations of the people of South Africa.

In line with the NDP, Vision 2030, the Department of Planning, Monitoring and Evaluation is focusing on a solid partnership between the South African government and the business sector. The collaboration between the public and private sector will assist in realising the development objectives as set out in the NDP, Vision 2030 and will contribute towards the fulfilment of our international obligations as stated in the Sustainable Development Goals. The Defence Sector is one of the top seven priority sectors, out of the 20 sectors identified, which will be used to revive the SA economy. Armcor as part of the Defence Sector participated in the Public-Private Growth Initiative (PPGI). The organisation also supports the President's PPGI in focusing the Defence Industry and Defence Related Industries to optimise the socio-economic value of the Defence Industry as a National Asset.

Spearheading the process of the development of the Defence Sector Charter, with NDIC partners, which was gazetted by the Minister of Trade and Industry, provides a regulated way of transforming the defence industry and bringing in new entrants in support of the national imperatives. The Defence Sector Charter performs optimally if funding can be made available to the new entrants into the industry. It is envisaged that, through the Defence Industry Fund (DIF) [which was part formed by Armcor and the DOD], the local SMMEs in the defence industry will be able to compete in the global defence market; it will also contribute/support with the transformation of the industry by introducing new entrants into the industry, while ensuring security of supply of strategic and sovereign capabilities to the SANDF.

The Department of Defence (DOD) during the period of the Plan and beyond, will continue, with available resources, to implement national policy in relation to the defence portfolio as articulated in the SA Defence Review 2015. The Defence Review maps the way for the defence environment in which Armcor is called upon to play its part in support of the mandate of the DOD. This mandate of the DOD is to defend and protect South Africa, to safeguard its borders and infrastructure, to promote peace and security in Africa, and to perform developmental and other tasks assigned to it. Armcor has pledged its support to the

non-costed deliverables of the DOD plan to arrest the decline.

In this regard, Armcor reviewed its strategic focus to enhance corporate governance and to ensure alignment with the strategic focus of the DOD and in support of the Minister of Defence and Military Veterans Priorities. Furthermore, the strategic initiatives selected address the specific challenges Armcor faces.

Notwithstanding the economic downturn that South Africa is facing, this negatively impacts the fiscus and thus the budget of the DOD and Armcor. As the fiscal allocation for the defence sector continues to decline year on year, the Corporation under the direction of the Board and the Shareholder is compelled to manage its limited resources with the requisite prudence and intellect that will improve its sustainability.

Armcor needs to continue to improve efficiencies and this becomes imperative as the transfer payment continues to reduce. The gap between the operational costs and the income is getting wider.

The declining SDA will in the next financial year pose a risk towards operational readiness of the client procurement, as well as the maintenance. The SADI has suffered loss of development expertise and competitive edge as a result of under-utilisation and no new or modernised products to market.

Despite the declining budget and the negative effect of the COVID-19 pandemic on the budget and work environment and suppliers, Armcor adapted quickly altering its work, safety and hygiene practices and aligned itself to deal with the adverse impact posed by the pandemic. Furthermore, Protechnik designed, tested and evaluated a hand sanitiser and surface disinfectant with strict adherence to guidelines from the World Health Organisation. There is a potential for growth in this area particularly with the manufacturing and the supply of the surface disinfectants and less on the sanitiser offering. The manufacturing of surface disinfectants could have wider applications and the demand may be in large quantities with potential clients spanning industry like the food manufacturing sector and not be limited to government departments as is currently the case. In addition, Protechnik has been conducting tests to evaluate the effectiveness of particle filtering masks and surgical masks, which are used in the fight against COVID-19.

The adoption of Armcor's growth strategy, titled: "On-Time, In-Time, Towards a Sustainable Future", will focus on strategic outputs to deliver the Corporation's sustainability and realise efficiencies. The strategy has reinforced Armcor's mandate and has brought about greater efficiency in the manner in which the Corporation operates. Armcor's Corporate Plan is aligned with the strategy and is aimed at promoting

the effectiveness and efficiency of the Corporation. This entailed the adoption of a new vision and mission, which expanded our focus beyond the primary client and sharpened our commercial course. Armscor is on a trajectory to pursue new markets and new clients, which is now more important than ever. Our four strategic outputs that have since been adopted are: revenue generation; cost management; efficient and effective delivery and stakeholder management.

Armscor's Corporate Plan 2021 reiterates commitment of Armscor towards attaining its vision, legislative mandate and strategic direction. This Corporate Plan seeks to outline Armscor's plan for the 2021/22 financial year. It highlights actions to be taken in implementing the Corporation's strategy.

Armscor continues to deliver on its mandate despite difficult global and local economic conditions. In this regard Armscor initiated the process of positioning itself as the primary procurement partner (smart buyer) for the South African Government's security cluster; sweating our own assets; sourcing contracts from foreign governments through government to government contracting and through Intellectual Property exploitation. Armscor strives to become a knowledgeable partner that proactively supports the DOD with the development of acquisition of equipment to meet variations in the complexity of the DOD's operation environment. Armscor intends expanding on its disposal activities with the South African DOD and identified Foreign DOD.

Research and Development has demonstrated capability of delivering dual use technologies from the maritime space. IMT's dual purpose technology development for application in the commercial

environment includes the ultrasonic broken rail detector system and the beach barrier system technology, are two examples of IP commercial exploitation.

Armscor continues making meaningful impact in communities, through Corporate Social Investment. Much has been done on education to assist learners from previously disadvantaged communities to improve their performance and results in science, technology, engineering and mathematics.

Armscor aims to deliver a sustainable Corporation that generates additional revenue through strengthening our existing partnerships and creating new ones, whilst containing costs and delivering ground breaking technologies.

We welcome the newly appointed Board of Directors who were appointed in December 2020 on a three-year term and the Corporation is eager to work with them as they steer the Corporation into the future.

In conclusion, Armscor affirms its commitment to achieve on its mandate, ensuring the successful attainment of its resourced outputs and activities. This shall be framed by a value system that upholds the Corporation's values.



**Adv. S.P. Mbada**  
**Chief Executive Officer**  
**Date: 28 February 2021**

## 4. Official sign-off

It is hereby certified that this Armscor Corporate Plan:

- a. was developed by Armscor Strategic Planning, with the Executive Committee, under the guidance of the Armscor CEO and direction by 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 2021/22 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 2021**



**Adv. N.B. Senne**  
**Group Executive: Business Assurance**  
**Date: 28 February 2021**



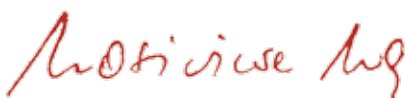
**Mr J.G. Grobler**  
**Chief Financial Officer**  
**Date: 28 February 2021**



**Adv. S.P. Mbada**  
**Chief Executive Officer**  
**Date: 28 February 2021**



**Dr P.D. Dexter**  
**Chairperson: Board of Directors**  
**Date: 28 February 2021**



**Ms N.N. Mapisa-Nqakula**  
**Minister of Defence and Military Veterans, MP**  
**Date: 28 February 2021**



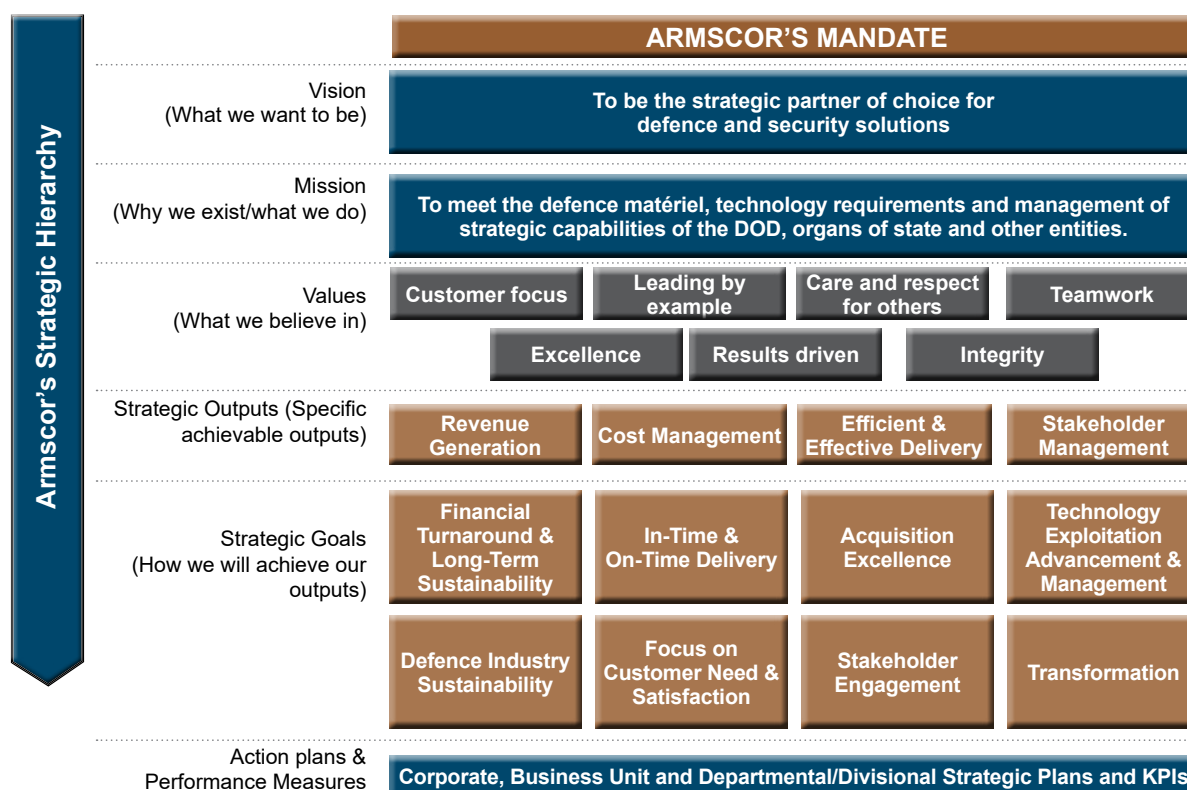
# Part A:

## Armcor'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", which is Armcor's mandate, vision, mission and values. Furthermore, the Corporate Plan is aligned to the South African 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. Armcor's Vision

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

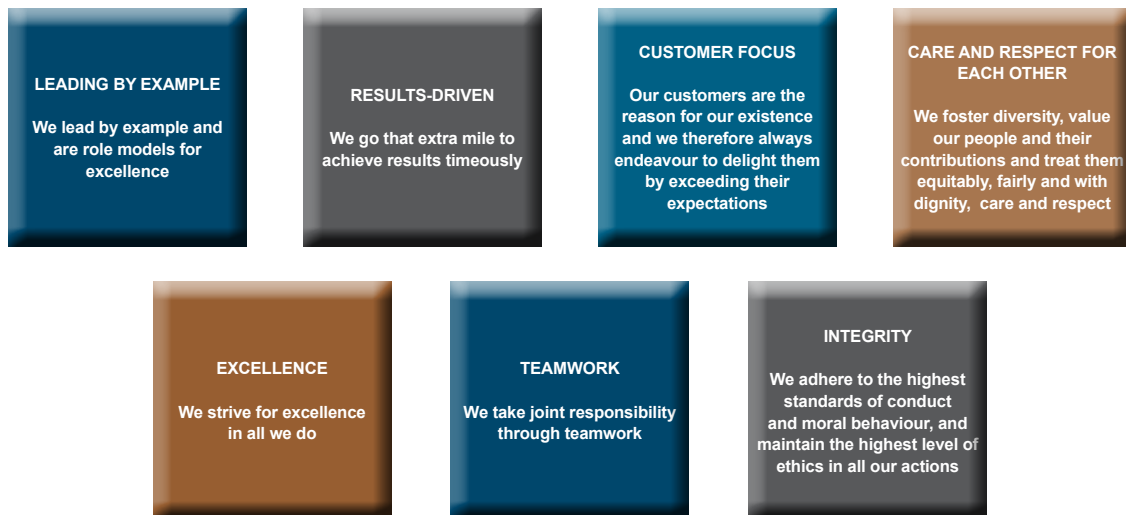
## 6. Armcor's Mission

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

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

**Figure 2: Armscor's Value System**



## 8. Armscor's Mandate

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

- 8.1 The objectives and mandate of Armscor are defined in the Armaments Corporation of South Africa SOC Limited Act (Act No 51 of 2003) as follows:
- 8.1.1 The objectives of Armscor are to meet:
- the defence matériel requirements of the DOD effectively, efficiently, and economically; and
  - the defence technology, research, development, analysis, and test and evaluation (T&E) 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 (MOD&MV):

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

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

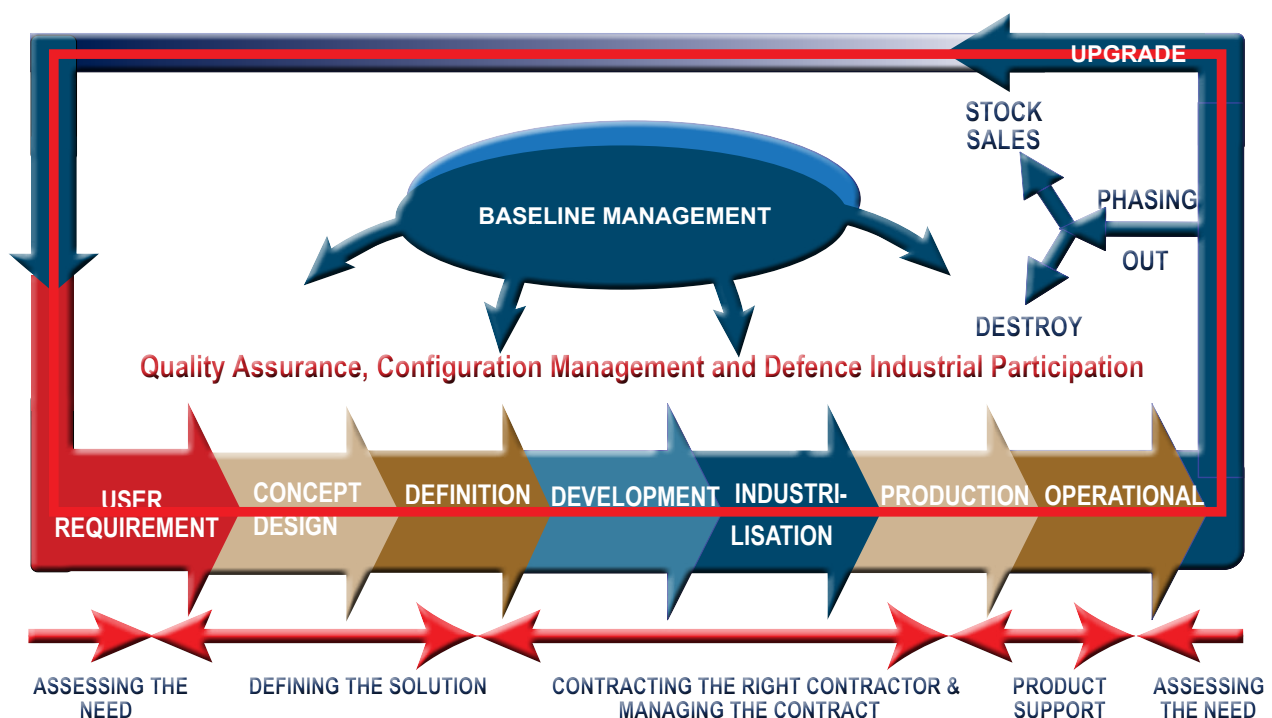
Management of the IP is owned by the DOD as provided in section 22 of the Armscor Act of 2003 (Act No 51 of 2003). Armscor is responsible for "Section 22(1): Notwithstanding any other law, all intellectual property rights in any product, service, item, method or any other thing of any nature vested in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

8.3 Armscor's mandate entails the following:

8.3.1 Product Life Cycle:

- Armscor renders acquisition management to the DOD and the South African National Defence Force (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 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.

### 8.3.3 Defence support services:

- Research and Development (R&D) is a business unit within Armscor that manages the Research, and Test & Evaluation (T&E) 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.

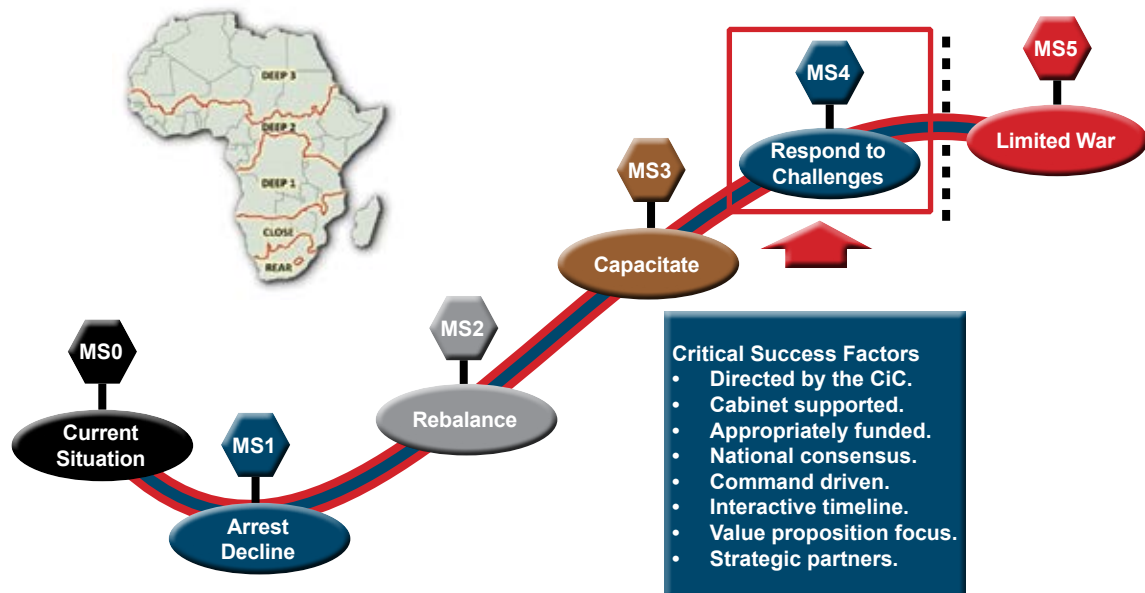


# 9. Policy Mandate

## 9.1 The South African Defence Review, 2015

The South African Defence Review 2015 currently provides the national defence policy for South Africa and informs the defence trajectory over multiple MTSF periods. Figure 4 indicates that multiple milestones must be achieved, with Milestone 4 being the aim of the Defence Review given current and emerging threat levels. This ensures the ability to effectively respond to essential security challenges and military threats to the sovereignty of South Africa. The South African Defence Review 2015 provides for multiple approaches that can be followed towards achieving the milestones all of which are driven by different levels of defence funding and the involvement of strategic partners or not. Figure 4 also contains the critical success factors for implementing the South African Defence Review 2015. Many of them were achieved, resulting in the approval of the South African Defence Review 2015, by Parliament in June 2015. However, the funding required for implementation has not been achieved, neither in 2015 nor in the ensuing period.

**Figure 4: Planning DOD Development Trajectory**



The first four milestones provide the initial impetus to ensuring an adequate, appropriate and relevant defence capability for South Africa. Milestone 5 (War Force) remains a constitutional contingency which can be achieved from the firm foundation provided by Milestone 4:

- **Milestone 0 (MS0):** The current situation within the DOD.
- **Milestone 1 (MS1):** Arresting the decline in critical capabilities through immediate and direct interventions.
- **Milestone 2 (MS2):** Re-balance and re-organise the Defence Force as the foundation for future growth.
- **Milestone 3 (MS3):** Create a sustainable Defence Force able to meet current ordered defence commitments.
- **Milestone 4 (MS4):** Enhance the capacity of the Defence Force to respond to emerging threats and a wide range of strategic challenges.
- **Milestone 5 (MS5):** Defence of the Republic against any directed threat.

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 5.

**Figure 5: South African Defence Review 2015 Implementation Work Packages**



In light of the fiscal challenges facing South Africa, the DOD (SANDF), will continue, in as far as constrained resources permit, to pursue a rebalance of the suite of military capabilities towards a future-force that has a wide range of utility. This is intended to ensure future relevance and the ability to sustainably execute selected priority missions, perform its core-mandated functions and provide value to South Africa as a Developmental State.

The South African Defence Review 2015 directs the Department’s Outcomes (Goals) and Outputs (Tasks) as indicated in Figure 6.

**Figure 6: DOD Goals and Tasks**



The DOD continues to operate in a severely constrained financial situation. In addition, the National Treasury informed the DOD in April 2018 that it was unable to fund the implementation of the “DOD Plan to Arrest the Decline” over the Medium-Term Expenditure Framework (MTEF) period, due to the constrained fiscal outlook. The 6th Administration of South Africa has confirmed its focus on the needs of a developmental state, and in addition to planned expenditure, substantial spending on the stabilisation of strategic economic entities that support the “Developmental Agenda” is envisaged.

In the DOD’s Annual Performance Plan 2018/19 Financial Year, the Minister of Defence and Military Veterans indicated that the DOD has been forced to continuously adjust its plans downwards in response to the declining budget. As a result, the DOD has an ever decreasing ability to execute its ordered commitments. It has become urgent that South Africa needs to discuss the type of defence force that it needs and can afford within the budget allocated. “Strategically, the funding allocation to the DOD effectively negates the South African Defence Review 2015 policy option selected by Cabinet.” Nonetheless, interaction between National Treasury and the DOD on the consequences of reduced funding continues.

Current indications are that the period of austerity will continue for at least another two Medium-Term Strategic Framework periods. It is quite probable that funding may be further reduced to below previous planned amounts.

Should the DOD in future be in a position where it can reduce Human Resource spending, or even receive an increased defence allocation where the possibility of increased spending on equipment may be opportune, it may have to focus such funds predominantly in the operating budget towards reducing the maintenance backlog that has built up over years of underfunding.

Within this context, Armscor supports the South African Defence Review 2015 recommendation that it 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.

Armscor's contribution towards the South African Defence Review 2015 is as follows:

- Armscor is a permanent member of the Defence Review Implementation Team (DRIPT).
- Armscor has supported the DRIPT in aspects such as the following:
  - The conversion of the Defence Review into tangible and costed requirements.
  - Armscor concepts for sweating the assets were continuously refined.
  - Specialist consultants were supported over an extended period in the investigation and quantification of innovative funding or increased efficiency approaches for the SANDF.
  - Preparation for interaction with Treasury to indicate the socio-economic and peace dividend value of the DOD for the RSA economy.
  - Armscor continues to be a member of the steering committee that is developing the Defence Industry Strategy Implementation Framework.
  - Armscor is the custodian for setting up the Defence Industry Fund.
  - Armscor remains involved in refining the Defence Industry Charter.
  - Armscor's African and United Nations objectives are aimed at unlocking opportunities for especially the smaller and emerging players in the defence and related industries.
  - Quantifying the value of defence for the RSA economy in terms of the socio-economic value of the peace dividend, the return on investment in defence technology and the defence industry, as well as the value of border safeguarding operations.
  - Using the above defence economics analysis Armscor then supported the Secretary of Defence in the drafting of arguments for engaging Treasury.
  - Armscor developed the narrative that empirically demonstrates that *"Defence is close to a breakeven investment for Government if value unlocked outside Defence is taken into account. Reducing the defence allocation has important long term socio-economic and regional implications."*
- Since the reduction in the defence allocation Armscor has been engaged with analytical support to the DOD to optimise the value of the allocation.

# Part B:

## Armcor's Strategic Focus

### 10. Situational Analysis 2021

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 also 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.

In December 2019 the COVID-19 pandemic was identified and it impacted the world with an ongoing escalation since then. In response to the global pandemic, governments announced a series of measures to combat and prevent the spread of the pandemic. In South Africa this outbreak led to a nationwide lockdown in late March 2020 enacted in terms of the Disaster Management Act No 57 of 2002, directed at preventing a humanitarian catastrophe. The President of South Africa directed the SANDF to deploy in support of other government departments to ensure that national measures, as announced, are enforced, in accordance with the Disaster Management Act 2002 (Act No. 57 of 2002).

##### ECONOMIC

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

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

The defence funding forecast will at best remain constant, but is more likely to decline in real terms over the MTSF. The economic forecast and the current trends in the defence funding allocation prevent the implementation of the national policy on Defence. This will have a profound impact on defence capabilities.

The economic outlook has weakened since the 2018 Medium-Term Budget Policy Statement (MTBS), the Gross Domestic Product (GDP) growth outlook has been revised down to 1.5 percent from an estimated 1.7 percent, due to fragile recovery in employment and investment. However, GDP is expected to recover moderately to 2.1 percent in 2021, supported by more effective public infrastructure spending.

This projection was significantly influenced by the COVID-19 outbreak. The effect on the global economy and fiscal dynamics has mirrored itself in the South African economy.

The South African economy is now expected to contract by approximately 7.2 per cent in 2020. This is the largest contraction in nearly 90 years. As a small open economy reliant on exports we have been hit hard by both the collapse in global demand and the restrictions to economic activity. The detrimental effect will continue into the MTEF.

The MTEF process will be guided by the principles of zero-based budgeting which will be applied as a series of overlapping evaluation exercises targeted at large programmes in an attempt to reduce unaffordable expenditure.

The revised fiscal framework will focus on areas that will neutralize the effects of the measures implemented during the State of National Disaster as a result of COVID-19. These areas will inter-alia include health and frontline services, social support, job creation and reduction of unemployment, infrastructure development and government debt stabilisation.

During the COVID-19 emergency period, over-inflated prices were charged by some suppliers of respiratory products due to the severe shortages created by the unexpected demand. Export restrictions imposed by most countries worldwide on respiratory products, led to further shortages of respiratory protective equipment. Hazmat has pledged to keep the prices of its locally manufactured respiratory products constant to contribute and to assist government and private industry in this time of crisis.

Despite the additional allocation to Defence in the 2020 adjustment budget, it is still envisaged, that the defence funding forecast is more likely to decline in real terms over the period 2020/21 MTEF. The economic forecast and the current trends in the defence funding allocation, coupled to the increased utilisation of the SANDF in the combat of the COVID-19 pandemic, will continue to constrain the implementation of the National Policy on Defence (SA Defence Review 2015), with a profound adverse impact on the availability and modernisation of the required defence capabilities. The approach to utilise the collateral capacity of defence capabilities in addressing non-military challenges will have to be reconsidered. In the future the SANDF will have to capacitate, structure and plan to develop and employ tailored forces for non-military tasks.

## **SOCIAL**

World population continues to grow and is projected to reach 8.3 billion people by 2030. The four demographic trends that will fundamentally shape economic and political conditions, as well as international relationships are: increased life expectancy; general population growth with a disproportionate youth bulge; migration and urbanisation.

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

Cyber connectivity and the concept of a global village will exacerbate the migration of skilled people critical to the economy. In addition, trans-national crime syndicates exploit migration tendencies to expand illicit activities undermining sovereignty and economic growth which results 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. The official unemployment figure as a result of these job losses, has risen to an estimated 30%, with an increasing number of youth unable to enter the job market. The rising levels of unemployment will continue to place a burden on government in terms of the Unemployment Insurance Fund and social grants and services.

The inability of government to meet the demand of social services coupled to the lack of employment opportunities results in increased violent protests particularly amongst the youth. These violent protests are characterised by lawlessness and criminal acts. This will increase as the competition for jobs and resources intensifies and might even ignite a new wave of acts of violence against foreign nationals.

In a national effort towards reducing and controlling the spread of the coronavirus, Protechnik designed, tested and evaluated a hand sanitiser and surface disinfectant with strict adherence to guidelines from the World Health

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

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

## TECHNOLOGY

- **Information Warfare:**

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

- **Defence Industry:**

There are in excess of 180 businesses registered at the National Conventional Arms Control Committee (NCACC). Such businesses are typically Defence Industry proper, as their primary focus is on weapons of war. The Defence Industry is recognised by Government as an economic sector and should it be adequately funded, can contribute significantly to the economy of South Africa through job creation, skills development, as well as export earnings. Interventions around sovereign/strategic industries must be deliberately planned and executed.

## LEGAL

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

## PHYSICAL

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

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

**Pandemics:** Globally, COVID-19 continues to affect all the countries around the globe and despite a lowering in COVID-19 caseloads being witnessed in certain areas, especially, in Europe, other continents are recording high numbers of infection.

In South Africa, as is in many African countries, a State of National Disaster and lockdown measures were implemented to both slow the rate of infection and to secondly “buy some time”, allowing government to build the required health capacity, increase daily testing, pre-position medical equipment whilst improving and establishing health facilities. Projections indicate that the high number of infection rates will continue to place a burden on the national healthcare systems with the requirement for increased bed-capacity and the establishment of quarantine and isolation sites, being of primary importance. As the pandemic progresses, it is expected that caseloads will not show a downward trend in the near future.

Cases and outbreaks due to COVID-19 will continue to occur and the requirement for self-protection measures will remain until a suitable vaccine or antiviral drug is available. Actions to reduce the risk of COVID-19 infection, such as through hand and respiratory hygiene and the maintaining of appropriate social distancing will become part of the “new normal” living conditions. The future impact of the virus is difficult to predict, however, it is expected that the disease will continue to circulate both globally and nationally for the foreseeable future.

The SANDF will continue to provide support to government’s national efforts to address the COVID-19 pandemic, as required through the Disaster Management Act 2002 (Act No. 57 of 2002). The SANDF continues deployments in support of the SAPS, thereby enforcing lockdown measures, with the ongoing increased risk of heightened infection of SANDF personnel who are required to interact with communities and other frontline personnel on a daily basis. The SANDF infection rate is expected to mirror the national disease pattern. During the post-COVID-19 peak period, it is uncertain if additional waves of infection will occur, requiring health authorities to be prepared for new infections. During the post-COVID-19 period, outbreak response capacity building will receive priority together with initiatives to ensure adequate health infrastructure, medical supplies and associated equipment. The SANDF will be required to ensure a disease surveillance capability, able to provide early warning and intelligence regarding new outbreaks or pandemics, whilst making provision for appropriate medical infrastructure and forming partnerships to exchange information, and build outbreak response capabilities.

## **MILITARY**

The nature of conflict is evolving and the distinction that separates military responses from other containment measures is becoming increasingly blurred. The operational environment of the future will be increasingly complex.

South Africa’s borders are the physical manifestation of its national sovereignty. These comprise the land, air and maritime domains that are internationally recognised in law and remain under the physical control and political authority of the South African State. Porous borders, inadequate migration control and immigration processes, the smuggling of small arms and light weapons, criminal syndicates trafficking in stolen goods and property, the illegal sale of South Africa’s natural resources and infiltration by terror groups are risks. Securing South Africa’s borders remains a matter of national security and has to be resourced adequately. The utilisation of sensors is crucial.

The COVID-19 Pandemic has brought a new dimension to border safeguarding, with specific reference to the landward domain. The management of perpetrators of illegal border migration with regards to their health status and co-operation with other departments to ensure the implementation of national lockdown regulations, preventing the spread of the virus, requires not only a revision of current procedures but also a significant increase in resources. The enforcement of regulations that prohibited the sale and trade in commodities (specifically tobacco products), could lead to an increase in cross border smuggling and organised crime activities. Uncontrolled migration via the sea are ever present.

### **10.2 Internal Environment**

Armcor 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 Armcor 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 Armcor.

- **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**

Armcor's principal client's – the DOD – budget allocation for the 2021/22 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 Armcor capacity related to the contracting of maintenance, repair and overhaul (MRO) services. The impact of this, on the Strategic Capital Acquisition Master Plan (SCAMP) is severe. The number of active acquisition projects will be reduced substantially with the bulk of the previous projects being delayed extensively or being cancelled. This reduces the demand for Armcor acquisition services over the medium-term and possible scaling down of highly skilled and highly specialised workforce.

The Supplementary Budget Review 2020 published by National Treasury on 24 June 2020, states that additional funds have been prioritised for the COVID-19 response, with government supporting interventions, primarily in the departments of Police and Defence. "Additional funding of R6.7 billion is provided to support the COVID-19 response and increased deployment of the SAPS and the SANDF during the lockdown. These funds are provided mainly for the procurement of personal protective equipment, and operational costs associated with roadblocks and air support."

The DOD budget continues to remain stagnant, and although additional funds have been allocated for the FY2020/21 in the Supplementary Budget Review 2020, these are allocated exclusively for COVID-19 interventions, whilst the trend in the real-term decrease of the Defence budget continues.

Due to the fact that the outbreak of COVID-19 was an emergency, the department had to from the onset, reprioritise funds from within, for interventions that were and are undertaken in response to the COVID-19 pandemic. The implications of this reprioritisation were that the department had to suspend, shift and cancel activities without changing the current programme structures. Most of the activities that have been suspended, shifted and/or cancelled are those that have been directly impacted on by the national lockdown regulations and associated restrictions. For the FY2020/21 the departmental transfer to Armcor was reduced to the amount of R120 million, mainly as a result of the reprioritising of departmental projects.

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 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 SDA, which funds all capital projects resulted in the surrendering of all funding except for projects that had already been contracted.

This reduction in capital funding resulted in various projects that were in the early phases of the acquisition process to be terminated and for others, executed only up to the next logical phase after which all work will be suspended. The reduction in the capital budget will have a significant impact, not only on the local defence industry and on the maintenance of strategic and sovereign capabilities within the industry, but also on the operational readiness of the SANDF going forward.

Armcor's financial well-being was negatively impacted by the prevailing fiscal constraints and we logically looked elsewhere for revenue generating projects. In this regard we had initiated the process of positioning Armcor as the primary procurement agency for the South African Government's security cluster; sweating our own assets; sourcing contracts from foreign governments through government to government contracting and through Intellectual Property exploitation. These initiatives are taking longer than expected to produce the results we sought as Armcor is constrained by legislation, such as the Intellectual Property Rights from Publicly Financed Research and Development Act, (Act No 51 of 2008). Armcor will however continue to strengthen our efforts and focus on these vital initiatives.

- **Corporate Governance and Accountability**

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

Good corporate governance and stakeholder confidence are fundamental elements in determining the nature of the relationship between Armcor, its shareholder (represented by the Minister of Defence and Military Veterans), the SADI, and the South African public as a whole. Furthermore, Armcor strives to maintain a clean 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 South African Defence Review 2015, and the urgency in meeting the matériel needs of SANDF while engaged in external deployment, calls for a review and change of the Armcor acquisition process, as well as the skills sets to be entrenched in Armcor. The following processes called for an improvement:

- Acquisition process improvement: ensure a cost-effective, adaptable, and agile acquisition capability, which provides the response to DOD requirements (i.e. process improvement, shortened tendering process for urgent requirements, including lifecycle approach, providing capability rather than product). The acquisition processes will be 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.
- Improve 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 2021 environmental scan focused on the political, economic, social, technology, legal, environmental and military dimensions.
- 11.2 The following important trends have emerged from the scan:
- Increased involvement by a number of global role players in Africa has resulted in a second 'race for Africa'. This is also evident in the SADC region and hampers South Africa's ability to compete economically for market share in the region and on the continent. Over time, increased trade between Africa and South Africa may be possible on the back of the Africa Continental Free Trade Agreement (AFCFTA).
  - Despite many areas of conflict in Africa, the demand for armaments is generally low. However, where there is a requirement, the type of weapons acquired in the main, are those suited to low intensity and guerrilla type conflicts.
  - Where conventional and high technology weapons are being acquired on the continent, these nations generally prefer to buy from or barter with long standing strategic partners being typically Russia and China. It is worth noting that in some cases, weapons are provided at no cost by countries from across the globe as part of influence operations undertaken in their own interests.
  - Within Sub-Saharan Africa, little progress has been made towards improving governance and countering corruption. This with the profiled exceptions of Angola, Ghana and Ethiopia.
  - Of particular interest is the rise of nascent weapon industries on the continent as can be observed in Ghana, Nigeria, Sudan and Kenya.
  - In South Africa, the 6th Administration has maintained continuity with its past priorities but with increased emphasis being placed on expediting implementation. Accelerating economic growth remains the highest national priority as the mechanism to reduce unemployment.
  - Stagnant economic growth accompanied by decreasing revenue to the fiscus coupled to competing socio-economic priorities of government has resulted in a significant reduction to the defence allocation over a number of years.
  - The capital portion of the defence budget is set to decrease significantly over the MTEF. By extension, the funding allocation to Armscor for both armament acquisition and the transfer payment for its acquisition agency function will likely decrease significantly over this period. The DOD will probably have to investigate its continued requirement for some of its historic activities and service level agreements with a number of stakeholders. This may include its relationship with Armscor.
  - The RSA defence industry is contracting due to persistent reduction in capital expenditure by the DOD. A few large international entities dominate the local market through equity arrangements with erstwhile RSA defence industry and defence related industry businesses.
  - Under these conditions, the recovery of Denel will likely be slow. However, the private sector armoured vehicle manufacturing industry is relatively strong with numerous relatively small players. The SMME component of the supply chain affiliated to the local defence industry is under severe financial pressure causing significant job security risks leading to the loss of expertise.
  - The DOD has pragmatically been forced to prioritise its missions being border safeguarding (land/sea/air), peace missions and interventions (possibly in this order). The demand for humanitarian operations in the region may well increase due to an increase in severe weather patterns as part of climate change. At the current funding levels and faced with block obsolescence and rising costs of maintaining its conventional prime mission equipment, the DOD will have to evolve into a much lighter force.
  - Within the context of the prioritised missions that will have to be executed in the MTEF, the focus of prime mission equipment availability for operations will be centred around limited current inventory availability. From a combat ready perspective, the MRO of existing operational equipment across the services will become increasingly important over the MTSF.
  - An opportunity exists for defence industry to develop bespoke technologies focused on sensors for increased domain awareness and technologies that would enhance operational response and effectiveness of a lighter more agile military force.
- 11.3 The national campaign to reduce the negative effects of the COVID-19 pandemic, has a major influence on the SANDF and therefore also influences Armscor. Some of these influences pose a threat to Armscor as it exists today and some of them can potentially be considered as opportunities in fields that could relate to Armscor.

- The reprioritisation of departmental budgets to fund a fiscal stimulus package to reduce the negative effect of COVID-19 on the economy, has effectively influenced the SANDF negatively from an Armscor perspective. The SANDF may have to use main equipment at unforeseen levels of intensity in Operation NOTLELA. Some of this equipment is relatively old and close to the end of its lifecycle. This situation may combine with an effectively reduced operating budget, a very small and narrowly focused capital budget and a rising HR budget. The probability of funds being available for Maintenance, Repair, Overhaul or Replenish Services is relatively low. This scenario may induce additional stress in an already highly stressed defence industry. The need for Armscor Supply Chain Management services may reduce and the reliability of contracting the defence industry may reduce.
- The COVID-19 related economic pressures have introduced greater scrutiny of national expenditure. The number, role and the value added of SOEs are under investigation in order to possibly close some SOEs.
- Considering the social, health, education and economic effects of the COVID-19 pandemic, government has already re-prioritised some medium-term planning. The probability of previous plans relating to SOEs staying untouched, is small. Armscor may not have stability in terms of medium-term planning for a year or two. The volume and tempo of re-planning that may have to be done by government, may not allow for historic levels of participative engagement with entities that may be influenced by new priorities.
- Before the COVID-19 pandemic the business model of many municipalities was already problematic, as the tax base could not fund the required services. COVID-19 has added substantially to unemployment. Most businesses may experience an extended period of reduced turnover and some business may close their doors forever. All these effects diminish the national tax base, as well as income for municipalities. Government has identified a large number of infrastructure projects as one of the methods for stimulating the economy into a post-COVID-19 era. Government is also experiencing some problems to optimise value in the COVID-19 supply chain.

#### 11.4 Armscor's SWOT analysis

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

**Table 1: Armscor's SWOT Analysis**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Clear mandate as defined in terms of an Act of Parliament;</li> <li>• World-class technical expertise in niche defence technology areas;</li> <li>• International recognition for technical capability;</li> <li>• Established governing processes;</li> <li>• World-class research, test and evaluation facilities;</li> <li>• Governance Record supported by established management systems and quality management systems.</li> </ul>	<ul style="list-style-type: none"> <li>• Skills shortage in specialised business areas;</li> <li>• Aspiring to a entrepreneurial culture;</li> <li>• Lack of resourcing of the Defence Review (DOD);</li> <li>• Sensitive stakeholder environment;</li> <li>• Responsiveness and agility, especially 3rd party potential clients;</li> <li>• Legislation constraints;</li> <li>• Business Enablement: Slow conversion rate of business opportunities.</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Providing holistic support to the South African Defence Industry (SADI) and Security Sectors;</li> <li>• Expand existing capability to meet emerging demand in target geographies;</li> <li>• Expand advisory services in Acquisition and Defence Analysis to the African and global market;</li> <li>• Financial brokering of defence contracts;</li> <li>• Transfer of Denel Capability;</li> <li>• Repositioning Armscor;</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;</li> <li>• Reliance on insufficient DOD transfer payment;</li> <li>• Reduction in the DOD budget allocation and the postponement of contracted DOD projects and non-funding of contracted DOD projects;</li> <li>• Insufficient funds to sustain facilities;</li> <li>• Potential reputational risk on new opportunity, 3rd party potential clients;</li> <li>• Lack of understanding of Armscor's role by industry;</li> <li>• Rigid compliant requirement for export;</li> <li>• Pandemics.</li> </ul>

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

## 12.1 National Development Plan, Vision 2030

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

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

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

The Strategy is, therefore, informed by:

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

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



## 12.2 The NDP Implementation 5-year Plan and MTSF Priorities (2019 - 2024)

The implementation of the NDP, Vision 2030, through the NDP 5-year Implementation Plan will mainly focus on job creation, poverty reduction and the reduction of inequality.

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

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

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

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

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

- **MTSF Priority 5: Spatial Development, Human Settlements and Local Government**, through Project Koba Tlala to support women and youth development and economic development in identified rural areas. 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, co-operation 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.
- **MTSF Priority 7: A Better Africa and a Better World**, through supporting the DOD (SANDF) participation in external operations in support of the UN and the AU peace missions, as well as the DOD contribution towards the Southern Africa Development Regional Indicative Strategic Development Plan (RISDP) through the SADC Standby Force Pledge. Armscor will provide procurement and logistic services to other countries when required.

### 12.3 The New Growth Path

Government released the Framework of the New Growth Path (NGP), aimed at enhancing economic growth, job creation, and equity. The principal target of the policy is to create five million jobs by the year 2025. The NGP identifies strategies that will enable South Africa to grow in a more equitable and inclusive manner, while attaining South Africa's Developmental Agenda. 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, to ensure the achievement of the Corporation's strategic business outputs, and to promote the culture of learning. Various development initiatives that seek to develop management and leadership competencies and to address critical and technical scarce skill shortages for employees at various respective occupational levels were identified. The initiatives include the implementation of bursary schemes and the grant development programme for graduates and internships.

National Treasury issued amended Preferential Procurement Policy Regulations. The regulations support transformation, specifically the advancement of designated groups, was promulgated in January 2017, and were made effective in April 2017. 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 Supplier Chain Management 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 Defence Industry Fund to solve funding challenges faced by SMME's in SADI.

National Defence Industry Council (NDIC) was established as a significant policy making and co-ordination tool for the defence industry. Armscor forms part of the NDIC. 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.

## 12.4 The Industrial Policy Action Plan

The Industry Policy Action Plan (IPAP) is located in the NDP, Vision 2030, and forms one of the principal pillars of the NGP. Armscor will play a role and support the IPAP in Public Procurement, where a Defence Industry Policy will be developed to guide long-term acquisition and procurement of defence capabilities.

The National Defence Industry Council (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 dti 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 dti 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 Intellectual Property (IP);
- expediting acquisition; and
- developing an industry sector strategy.

## 12.5 The Forum of South African Directors-General (FOSAD)

The Action Plan (2009–2019) was adopted by Government and finds expression in the DOD adjusted Strategic Plan, Annual Performance Plan (APP) 2021/22, and individual performance agreements. Armscor supports the following 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 Supply Chain Management (SCM) (to improve turnaround times in the provision of non-complex, off-the-shelf acquisition and procurement) as a strategic enabler of Armscor's strategy.
  - The establishment of a sustainability function to reduce pressure on the declining DOD budget.
- Reduction in time it takes to fill a vacancy:
  - Armscor endeavours to fill all vacancies within six months, subject to the availability of suitable candidates.
- Payment of suppliers within 30 days:
  - Armscor aspires to settle all payable invoices within 30 days upon receipt thereof.
- Finalisation of disciplinary cases and Employee disputes:
  - Armscor strives to resolve all disciplinary cases internally. However, if Armscor is not successful with the procedure, it will be dealt with by the Commission for Conciliation, Mediation and Arbitration and/or the Labour Court.
- Improved feedback to the public on anti-corruption hotline:
  - In order to enhance good governance and transparency, Armscor provides a channel for any person (employees, contractors, clients, and external parties) to raise concerns and report fraud, corruption (monetary bribes, kickbacks, gifts, etc.), theft, financial malpractice, or any other unlawful or irregular conduct occurring in the Corporation. These concerns are investigated by a committee and the relevant parties informed. This is done to improve operational efficiency and effectiveness.

- Armscor strives to obtain a clean audit:
  - Armscor has applied the principles of good corporate governance across every single face of it's operations.

## 12.6 Sustainable Development Goals

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

**Figure 8: Sustainable Development Goals**



- The 17 SDGs and associated 169 targets, which form the SDGs, demonstrate the scale and ambition of this new universal agenda. These SDGs seek to build on the Millennium Development Goals (MDGs) and complete what they did not achieve. These SDGs and targets will stimulate action in areas of critical importance for humanity and the planet. The SDGs consist of the following goals:
  - Goal 1: End poverty in all its forms, everywhere.
  - Goal 2: End hunger, achieve food security, and improved nutrition, while promoting sustainable agriculture.
  - Goal 3: Ensure healthy lives and promote well-being for all at all ages.
  - Goal 4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.
  - Goal 5: Achieve gender equality and empower all women and girls.
  - Goal 6: Ensure availability and sustainable management of water and sanitation for all.
  - Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.
  - Goal 8: Promote inclusive and sustainable economic growth, full and productive employment, and decent work for all.
  - Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.
  - Goal 10: Reduce inequality within and among countries.
  - Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.
  - Goal 12: Ensure sustainable consumption and production patterns.
  - Goal 13: Take urgent action to combat climate change and its impacts.
  - Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

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

## 12.7 The State of the Nation Address (SONA) (2021)

During the SONAs of the previous 2014 - 2020 MTSF, and the SONA held by the 6th Administration on 11 February 2021 respectively – the President has laid out the government’s main objectives for 2021 in his State of the Nation Address (SONA). These include dealing with the COVID-19 pandemic, accelerating economic recovery, creating jobs, and inclusive economic growth including maintaining black economic empowerment rules. Fighting corruption and strengthening the State is another key objective. Land reform will be accelerated highlighting the country’s agricultural successes but steering away from the emotive topic of land expropriation without compensation.

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

Armscor supports the DOD to achieve pronouncements of the SONA.

# 13. Minister of Defence and Military Veterans Priorities for 2021/22 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:

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:

- **Strategic Direction: Implementation of the South African 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 against 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.
  - Identify, maintain and expand the multi-mission capabilities required to execute the priority missions assigned to the Defence Force. The ability to support other government departments in disaster relief and the management and containment of pandemics will be a priority.
  - Ensure continued investment in research, especially health research, and the development capabilities and test facilities to sustain an appropriate knowledge and technology base.
- **Strategic Resourcing: Revenue generation to supplement the insufficient Fiscal Allocation:** Direct a focused effort to identify alternate funding and revenue generation streams that include amongst others, maximised reimbursements against agreed upon Memoranda of Understanding and the sweating of departmental assets.
  - Armscor established the Property Management and Leveraging Division with the intention of sweating its own property assets and provide property management and development services to other clients, particularly in the government sphere. The four properties include two in Erasmuskloof and one each in Pretoria West and the Northern Cape.
- **Human Resources:** Maintaining the SANDF establishment Force Levels. Direct the maintenance of the current operational capability within the current operational strength and resource considerations. It implies the continual rejuvenation of the 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.
- **Organisational Renewal:** Ensuring appropriate Organisational form and structure. Direct the positioning of the Defence Secretariat and organisation of the SANDF through the optimisation of both the Defence Secretariat and the Command and Control system of the SANDF. Duplication of structures must be eliminated whilst effectiveness and efficiency was enhanced. Focus must be given to ensuring that the SANDF is seen as a professional and disciplined military force.
- **Capability Sustainment:** Maintenance of Capabilities. The serviceability and availability of current main operating systems and Prime Mission Equipment must be maintained at a set level. Focus will be given to the maintenance, repair and overhaul of land, air, maritime and military health equipment that is required for both force training and force employment. Ensure internal procedures and controls to enable accelerated procurement in times of crises.

Through the National Defence Industry Council (NDIC), a closer working relationship between the DOD, the Defence Industry and the Defence Related Industry must be achieved in the interest of all parties. Armscor has provided support to the development of the National Defence Industry Strategy and will continue to do so in the year ahead as the implementation framework unfolds. The Defence Industry Strategy is in the phase of being converted into an implementation framework. Armscor is providing uninterrupted capacity to activities such as those that can improve the situation within the local defence industry. The focus of the framework was mostly on the longer term. However, the focus has been amended on request of Armscor to include more immediate matters. Members of industry were identified who may be in financial dire straits in the period while the implementation framework is under development. Potential solutions for them and financial concepts for industry as a whole are currently receiving attention in the development of the implementation framework.

- **Ordered Defence Commitments:** Increased contribution to the National Developmental Agenda. There is an expectation of an increased utilisation of defence capabilities to contribute to the National Developmental Agenda of Government. The collateral defence utility may be used in collaboration with other Government Departments to enhance the desired contribution. The SANDF will retain its ability to respond to disasters both internally and in the region against reimbursement arrangements. Contribution to national efforts in the prevention and combating of the spread of COVID-19 in the country as well as within the Defence Force. Support the Minister of Defence and Military Veterans in the national efforts for the prevention and combating the spread of COVID-19 through participation in the Justice Crime Prevention and Security (JCPS) Cluster:
  - Issuing of SANDF Orders, directives, instructions for the conduct of military operations in support of national efforts to mitigate and prevent the spread of COVID-19 in the country.
- **A stable and financially viable Armscor to deliver on its mandate:** Armscor is pursuing strategies to alleviate the funding crisis and make it financially viable. Furthermore, Armscor made optimal use of the allocation throughout the period. However, the allocation does not fully cover the personnel costs. The strategic facilities managed are also underfunded.

Armscor is pursuing the following revenue generation initiatives:

- Offering its services/products and pursuing collaboration with African Defence Forces – Proposals made to several countries for support with acquisition and defence capability improvement. Several high-value procurement requests in process for foreign Defence Forces where SADI products are being promoted.
- Offering its Logistics services for the transportation of military goods:
  - Sweating its own land parcels which includes: Erasmuskloof, Gerotek and Alkanpan.
  - Commercialisation of IP.
  - Dual Usage into Civilian Solutions: The Defence Industry has a range of technologies, equipment and systems that are considered dual use and which are well suited to the needs of the wider society. Some of the examples are sensing technologies in the fight against poaching (on land and especially at sea), radar technology for mining and sonar technology for railways or protection against sharks.
  - Armscor's priorities are reflected in point 17 of the Corporate Plan.

# 14. Organisational Environment

## 14.1 The Board of Directors

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

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

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

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

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

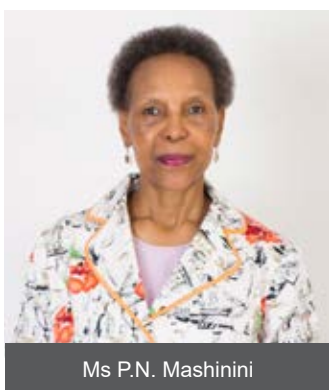
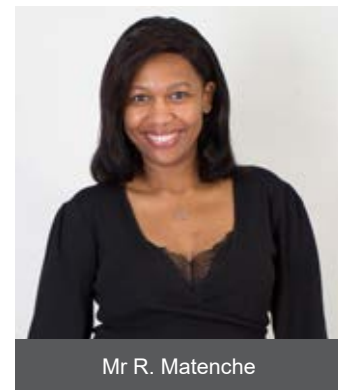
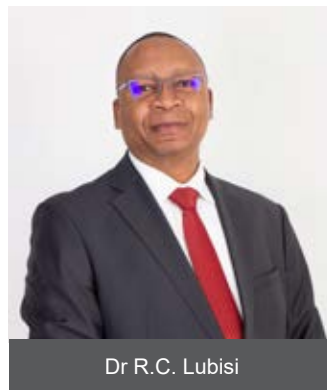
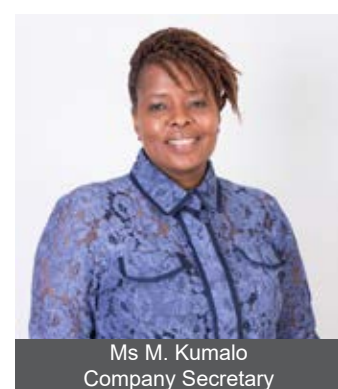
The management and control of Armcor resides with the Board of Directors, led by a non-executive Chairperson and a Deputy Chairperson. To execute its responsibilities effectively and maintain accountability, the Board established a number of committees:

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

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

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

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



Armcor's new Board of Directors was appointed on 01 December 2020 to serve a three-year period. The members of the Board of Directors are as follows:

Non-Executive members:

- Dr P.D. Dexter - Chairperson
- Mr M.S. Motimele - Deputy Chairperson
- Ambassador T.J. Ndhlovu
- Dr R.C. Lubisi
- Ms R. Matenche
- Maj Gen (ret) L.C. Pepani
- Ms F. Skweyiya-Gushu
- Mr T.M. Sukazi
- Ms P.N. Mashinini

Executive members:

- Adv. S.P. Mbada - Chief Executive Officer
- Mr J.G. Grobler - Chief Financial Officer

Armcor's Company Secretary is Ms F.M. Kumalo.

## **14.2 Executive Committee**

In the execution of its functions, Armcor establishes and maintains capabilities and technologies that are required to fulfil its mandate, such as appropriate programme management systems, the 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 respect to the Board of Directors and the Executive Committee of Armcor. 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 Supply Chain Management;
- Research and Development;
- Armcor Dockyard.

Supporting Functions:

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

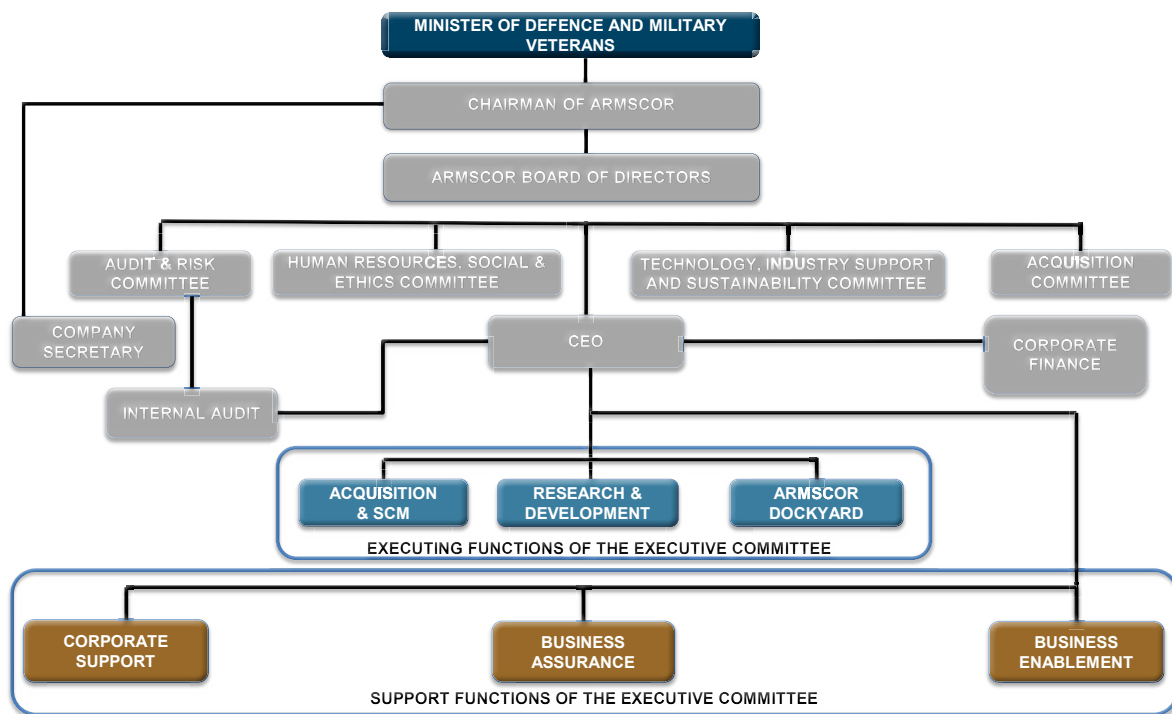
Business Units are divided into departments or facility-unit levels. It is, therefore, Armcor's policy to minimise levels of management in the Corporation and to provide for broad bands in its personnel categories. Figure 10 represents Armcor's organisational and reporting structure.

## **14.3 Armcor Schedule 2 Public Entity**

Armcor is classified as a Schedule 2 Public Entity, in terms of PFMA, and reports to the Minister of Defence and Military Veterans.

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

#### 14.4 Armscor's resources



Armscor derives its income from the following sources:

- The main transfer payment from the DOD, which provides for capability maintenance and services rendered, as per the SLA, and secondary payments for services rendered to the DOD in terms of MoA;
- Investment income;
- Income generated by the Research and Development 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 (Ergotek) – 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; and
- x Cyber Security.
- k) management of the capabilities mentioned in h) and i) above;
- l) development and implementation of export support services and mechanisms, which will promote and benefit the South African Government and SADI, managed by means of a partnership between the DOD, Armscor, and the Aerospace, Maritime and Defence Industries Association (AMD), who meet on a regular basis in structured forums;
- m) provision of defence operational research; and
- n) provision of the Defence Matériel Tender Board functions and associated Procurement Secretariat.

• **Support services:**

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

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

• **Corporate functions:**

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

Armscor's Corporate Strategy and Planning supports and is in alignment with the DOD Planning Instruments and the National Regulatory Framework. Armscor Corporate Plan, together with the DOD APP, Castle Control Board and the Military Ombud APP, is tabled in Parliament during March annually. 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 2021/22 Financial Year (Table 2)

**Table 2: Armscor's Human Capital for FY2021/22**

Armscor Group	Total Permanent Employees	Total Contract Employees (excl. TDPs & Ledger fund)	Talent Development Programme (TDP)	Total Employees
Armscor (Excluding R&D)	679	27	15	721
Research & Development	319	9	20	348
Armscor Dockyard	399	9	6 FTC 15 (Ledger Fund)	429
<b>TOTAL</b>	<b>1 397</b>	<b>45</b>	<b>56</b>	<b>1 498</b>

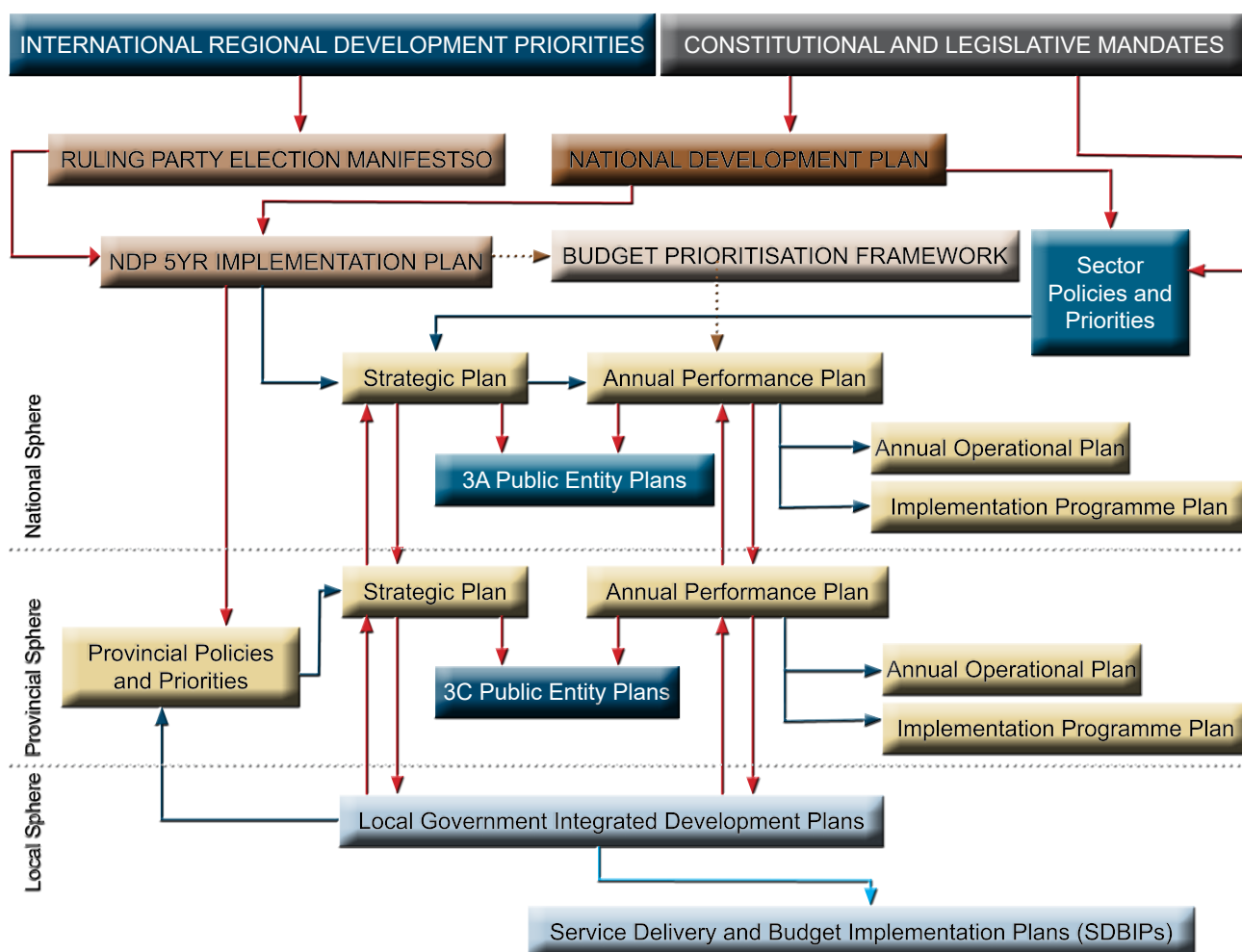


# Part C:

## Measurement of Armscor's Performance

Over the Financial Years 2019 - 2024 MTSF period, Armscor will continue to support the Government's priorities and ultimately the NDP, Vision 2030, as well as the NDP 5 year Implementation Plan. Furthermore, Armscor will ensure alignment with the National, Provincial and Local Government Planning Cycle, as articulated in the Revised Framework for departmental SPs and APPs and as reflected in Figure 11. This Corporate Plan for 2021 is reflecting on the performance against the Armscor Corporate Plan 2020 to 2021 (Three Year Plan), amendments to the Armscor Corporate Plan 2020 to 2021 will be reflected in Annexure E of this Corporate Plan for 2021.

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



# 15. Armscor Programme Performance Information

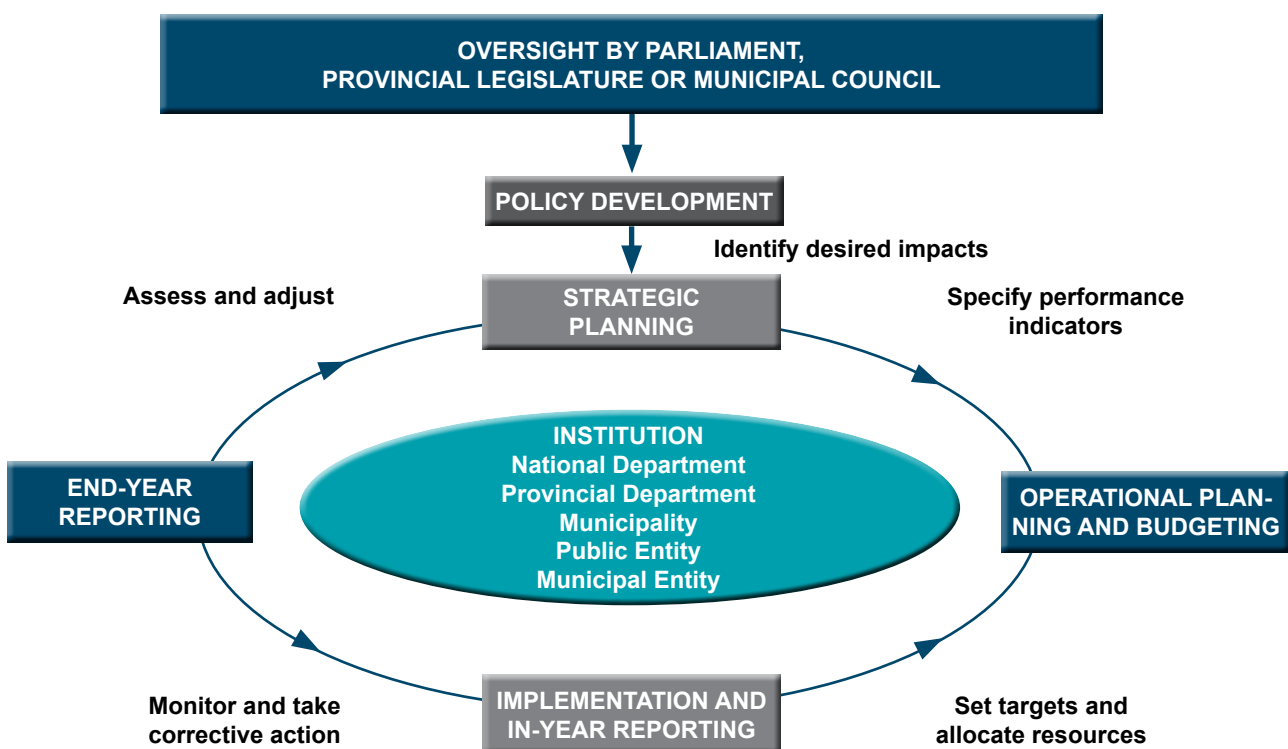
## 15.1 Description of the Armscor Planning, Budgeting, and Reporting Cycle (Armscor Cycle)

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

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

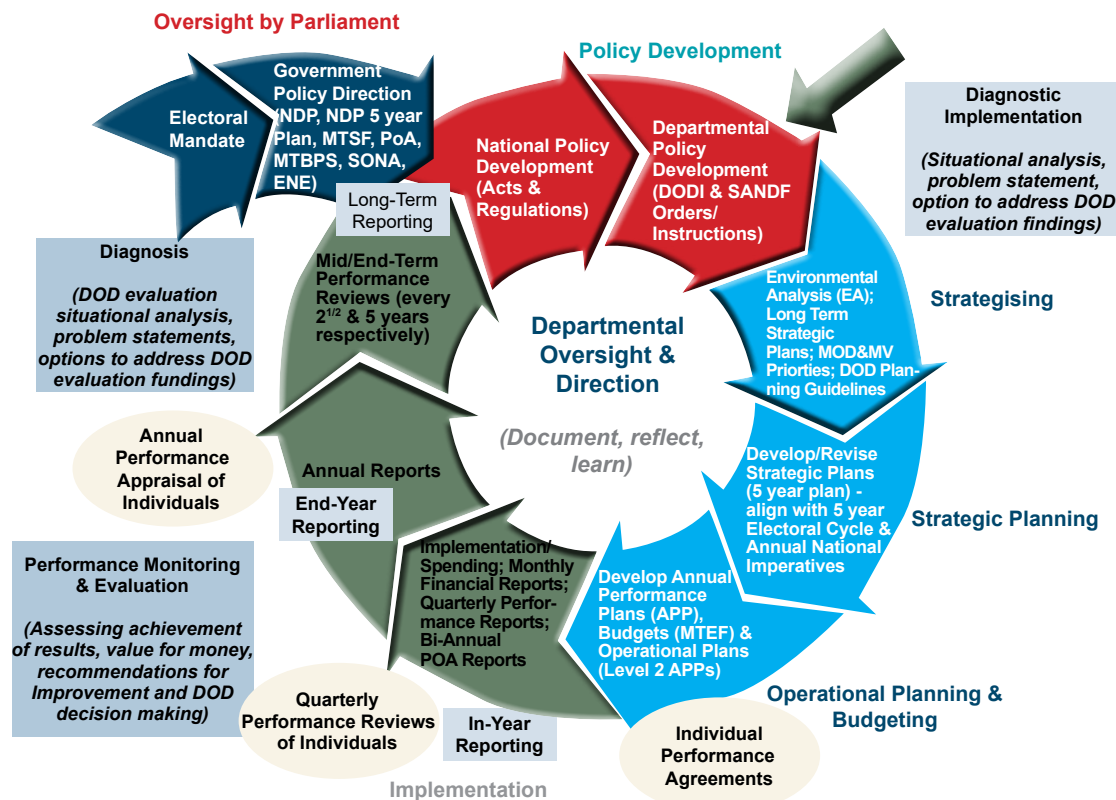
Armscor performance information management, focuses strategically on meeting Armscor's mandate and support the defence mandate, as aligned with the intent and priorities of Government, to ensure the delivery of value to the citizens of South Africa. The National Planning, Budgeting, and Reporting Cycle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

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



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

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



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

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

- **Implementation:** This component of the Armscor Cycle addresses the in-year implementation of the approved Armscor Corporate Plan. The performance agreement sets specific, agreed-upon performance information (measures and targets), linked to Armscor's Strategy, Corporate Plan, operational plans and annual budget that are to be attained by the individual.
- **Monitoring and Evaluation:** This component of the Armscor Cycle consists of in-year, end-term, and long-term performance reporting and evaluation. In-year performance reporting consists of the following three subfunctions: monthly financial performance reporting and evaluation, quarterly performance reporting, annual reporting and evaluation, and additional performance reporting and evaluation, when and if so required. Long-term performance reviewing consists of the end of term performance reviewing and performance reviewing since 1994.

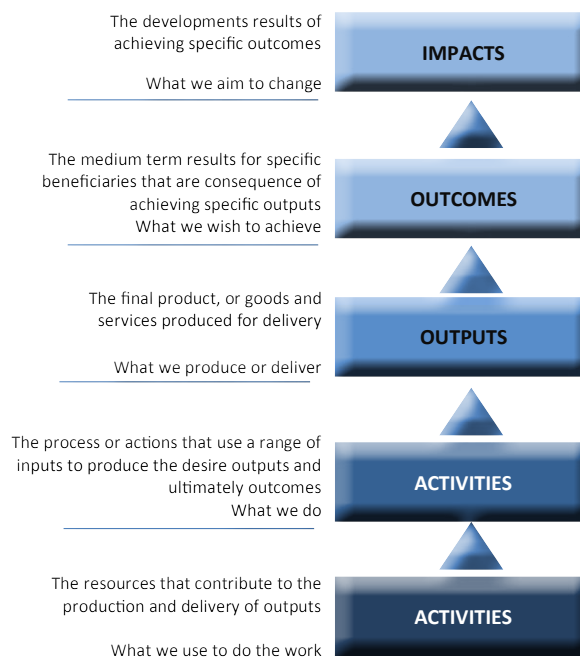
## 15.2 Key Performance Information Concepts (Results-Based Model)

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

### • Armscor Results-Based Model Overview

Armscor Results-Based Model<sup>1</sup> is developed in alignment with the National Treasury "Logic/Results-Based Model" (Figure 14) requirements as prescribed in the National Treasury Framework for Managing Programme Performance Information and the Results-Based Concepts as articulated in the Revised Framework for Strategic Plans and Annual Performance Plans as directed by DPME.

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



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

- **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>1</sup> Terminology aligned to the DPME Revised Framework (Figure 1.1 Results-Based Concepts) 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 the Department.
- **Activities:** Armscor Activities are defined as **“what we do on a daily basis”** and include the processes or actions that utilise a range of inputs (resources) to produce the desired outputs and, ultimately, outcomes. “Economy” indicators at the “input/activity” level of the models explore whether specific inputs are acquired at the lowest cost and at the right time and whether the method of producing the requisite outputs is economical.
- **Inputs:** Armscor Inputs (resources) are defined as **“what we use to do the work on a daily basis”** and include the resources that contribute to the development and delivery of the departmental Outputs and Activities.
- **Defence Building for the Future (Defence Sustainability):** The Armscor perspective **Building for the Future** (BFF) outlines how Armscor will endeavour to ensure its future sustainability and relevance moving forward into the MTEF and beyond through structured departmental initiatives and processes.

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

### 15.3 Armscor’s Results-Based Model

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

**Figure 15: Department of Defence Results-Based Model for 2021/22 to 2023/24 Financial Years**

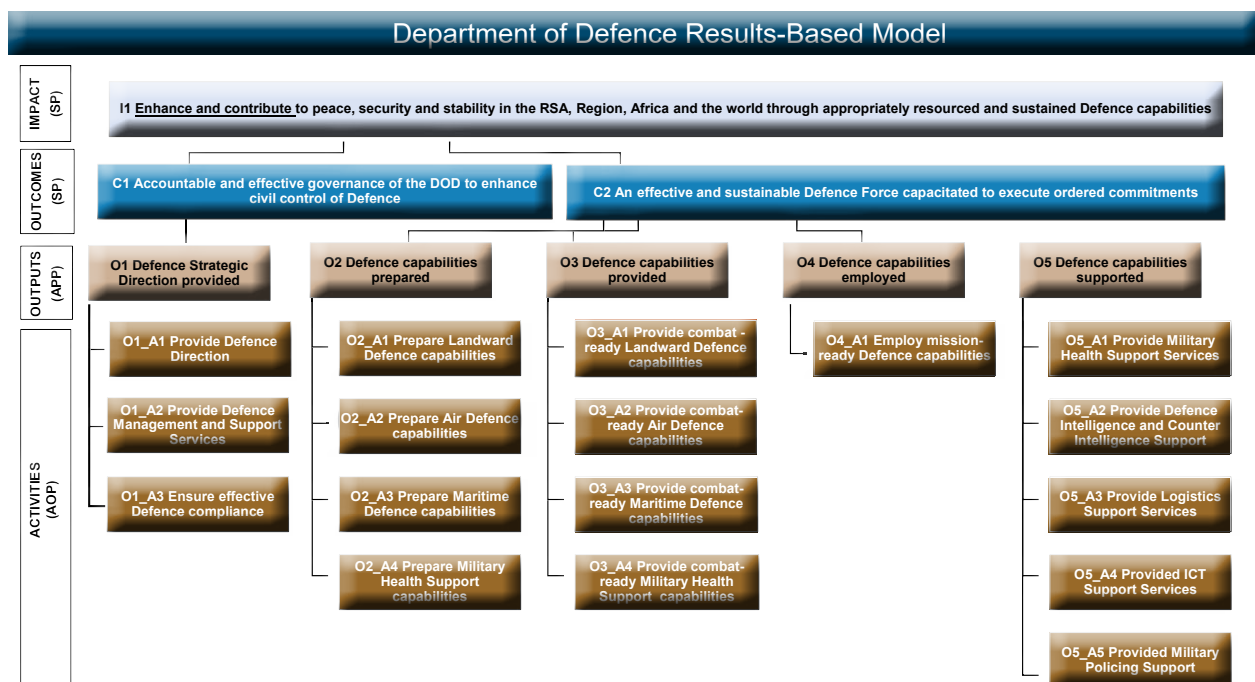
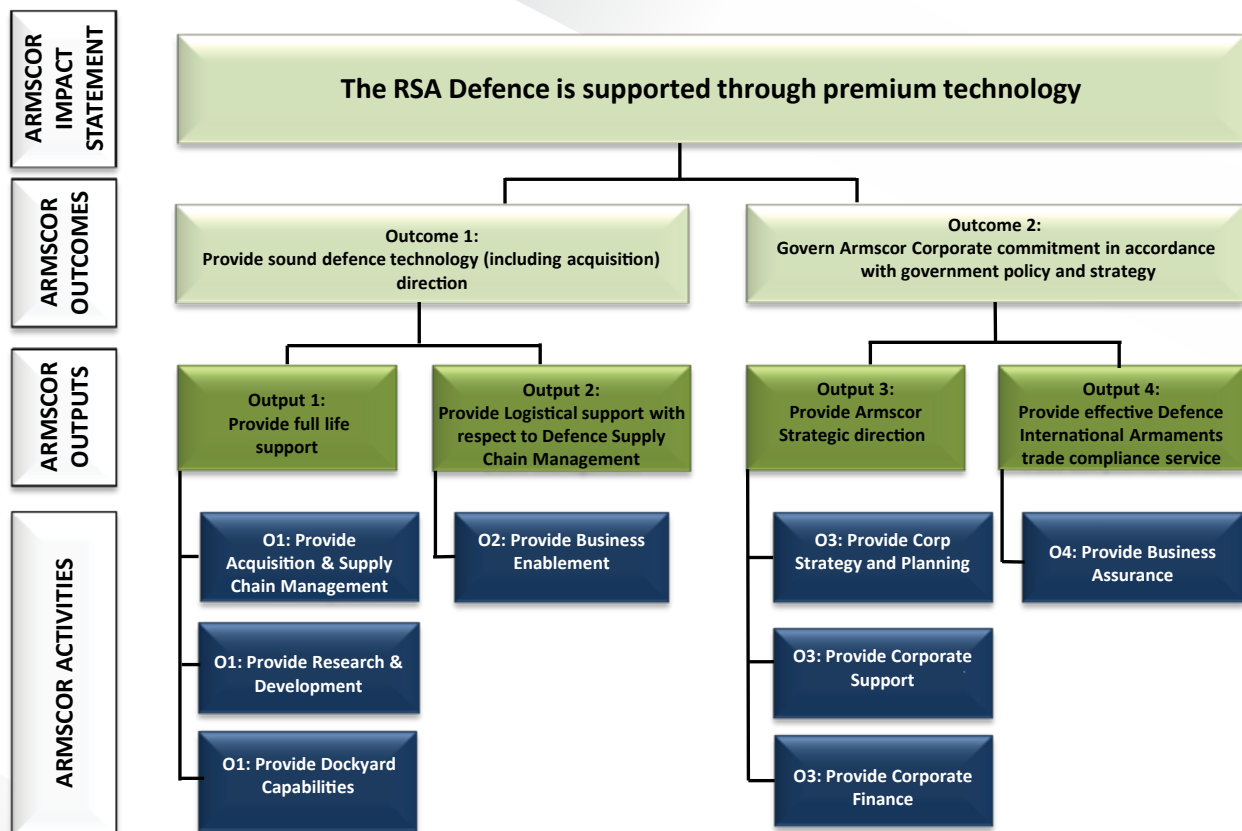


Figure 16: Armscor Results-Based Model for 2021/22 to 2023/24 Financial Years



# 16. Armscor's Service Delivery Indicators<sup>2</sup>

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

## 16.1 Outcome: Acquisition activities (Goal 1 and 2)

The outputs are defined as follows:

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

## 16.2 Outcome: Schedule Placement (Goal 3)

The output is defined as follows:

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

## 16.3 Outcome: Management of DIP (Goal 4)

The output is defined as follows:

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

## 16.4 Outcome: Management and execution of defence technology, Research, and Test and Evaluation requirements of the DOD (Goal 5)

The output is defined as follows:

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

## 16.5 Outcome: Performance against mandate (Goal 6)

The output is defined as follows:

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

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

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

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

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year	Medium-term targets		
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
1.1 Percentage of DOD capital 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.</li> </ul> (Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD)	Service Level Agreement	99.99%	100%	99.97%	95%	95%	95%	95%
1.2 Execution of contracts as measured through actual cash flow on DOD orders placed  (Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD)	Service Level Agreement	99,50%	96,96%	103,18%	95%	95%	95%	95%

## GOAL 2: SYSTEM SUPPORT ACQUISITION AND PROCUREMENT

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year	Medium-term targets		
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
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 10 working days;</li> <li>• initiation of sourcing solution; and</li> <li>• approval and placement of order.</li> </ul> (Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD)	Service Level Agreement	99,49%	99,79%	92.45%	95%	95%	95%	95%
2.2 Execution of contracts as measured through actual cash flow on DOD orders placed  (Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond 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)	Service Level Agreement	98,71%	96,75%	123,35%	95%	95%	95%	95%

### GOAL 3: SCHEDULE PLACEMENT

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year 2020/21	Medium-term targets		
		2017/18	2018/19	2019/20		2021/22	2022/23	2023/24
3.1 Average time taken to convert DOD requirements into orders including:	Service Level Agreement							
i. confirmation of requirement;	Days for shortened process commercial off-the-shelf (COTS) items	114 days for shortened process COTS items	73 days for shortened process COTS items	88,48 days for shortened process COTS items	95 days for shortened process COTS items	95 days for shortened process COTS items	90 days for shortened process COTS items	90 days for shortened process COTS items
ii. submission of a top-level project schedule (Planning Document) to DMD within 10 or 14 working days;	Days for non-COTS and Product Support General Defence Accounts (GDA) procurement	101 days for non-COTS and Product Support GDA procurement	111,05 days for non-COTS and Product Support GDA procurement	83,84 days for non-COTS and Product Support GDA procurement	125 days for non-COTS and Product Support GDA procurement	120 days for non-COTS and Product Support GDA procurement	120 days for non-COTS and Product Support GDA procurement	120 days for non-COTS and Product Support GDA procurement
iii. completion of sourcing process; and								
iv. approval and placement of order.	Days for Special Defence Account (SDA) acquisition programmes (SDA acquisition includes capital and technology acquisition)	128 days for SDA acquisition programmes	133,88 days for SDA acquisition programmes	150 days for SDA acquisition programmes	145 days for SDA acquisition programmes	145 days for SDA acquisition programmes	140 days for SDA acquisition programmes	140 days for SDA acquisition programmes
(Time taken from registration of requirement (3A) to placement of contract-excluding time required for FA approval)								

**Note:** \* Relates to historical programmes

#### GOAL 4: MANAGEMENT OF DEFENCE INDUSTRIAL PARTICIPATION

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year	Medium-term targets		
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
4.1 Value of Defence Industry Participation credits to be granted.	Service Level Agreement	R157,0m	R53,0m	R116,27m	R41,78m	R129,95m	R174,32m	R191,18m

**Note:**

The Biro DIP Agreement was concluded on 05 February 2020; after a delay of 8 months. The impact of the delay was that all the activities that were envisaged to be completed in the 2019/20 financial year; were carried over for execution in 2020/21. Subsequently, some of the activities to be performed in 2021/22 were moved to future financial years. Furthermore, two new DIP Agreements were concluded in the 2020/21 financial year, i.e.:

- OSI DIP Agreement - Project Biro (effective date 05 October 2020) and
- Leonardo DIP Agreement - Projects Topstar and Muhali (effective date 13 July 2020).

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

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year	Medium-term targets		
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
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	97,17%	100,03%	96,54%	95%	95%	95%	95%

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

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year 2020/21	Medium-term targets		
		2017/18	2018/19	2019/20		2021/22	2022/23	2023/24
6.1 Percentage of contractual milestones executed.  (Adherence to project contractual milestones planned dates as approved in project plan)	Service Level Agreement	93,60%	91,8%	93%	90%	90%	90%	90%
6.2 Percentage of compliance to project finance.  (Manage project finances in accordance with approved financial authorities and cash-flow plan)	Service Level Agreement	94,84%	87,3%	90%	90%	90%	90%	90%
6.3 Percentage of ancillary services executed.  (Provision of ancillary services as defined by South African Navy [power generation station, air supply, water supply, carnage support requirements, etc.] as per Dockyard funded business plan)	Service Level Agreement	100%	95%	97%	95%	95%	95%	95%
6.4 Percentage of training requests executed.  (Training provided in accordance with the plan and requirements submitted by South African Navy during the reporting period)	Service Level Agreement	100%	100%	100%	90%	90%	90%	90%
6.5 Percentage compliance with quarterly report timelines.  (Supply quarterly reports to Fleet Officer Flag that addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., as per reporting timeline schedule)	Service Level Agreement	100%	100%	100%	90%	90%	90%	90%

# 17. Armscor's Strategic Priorities

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

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

17.2 Armscor's key strategic initiatives:

Armscor's key strategic initiatives, as reviewed and programmes are set out under each of the Corporation's four strategic outputs, as reflected in Table 5.

17.2.1 Strategic priorities:

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

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

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

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

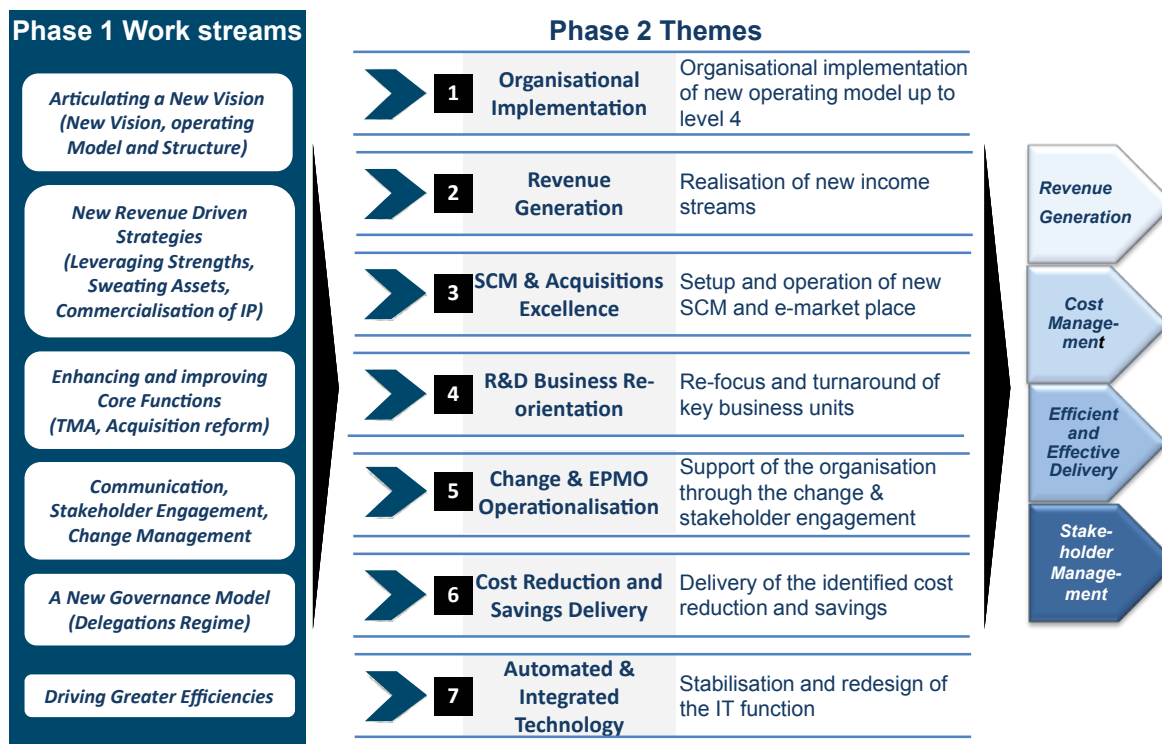
Armscor embarked on an organisational turnaround with the objective of repositioning the Corporation to best meet its strategic initiatives, including the establishment of new capability to ensure the sustainability of the Corporation as reflected in Figure 17.

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

17.3 The main focus areas of Armscor are:

- Armscor's main focus area is the acquisition of defence matériel for SANDF and contracting for through-life support of in-service equipment.
- Armscor's Dockyard offers repair and maintenance services to the South African Navy, as well as structures, such as commercial agreements, which exploit the capabilities of the Dockyard for commercial purposes.
- R&D provides research, development, and T&E support to acquisition and SANDF operational users.
- Business Enablement Business Unit has been established to fast-track exploitation of opportunities identified for revenue generation.

**Figure 17: Key Focus Areas**



**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 SLA with the DOD. The second category measures the attainment of the strategic outputs of the Corporation.

**17.5 Armcor's Strategic Outputs:**

In order to best achieve the Armcor Strategy, Armcor reviewed its Strategic Outputs as stated in the 2017 Corporate Plan and aligned them to the following four strategic outputs as reflected in Table 4:

**Table 4: The Four Strategic Outputs**

REVENUE GENERATION	Increase in net realisable revenue to ensure that Armcor generates sufficient income to meet its funding needs in the Short-to-Medium term.
COST MANAGEMENT	Strategic capability maintenance, "while reducing costs", to ensure that Armcor remains sustainable to meet its funding needs in the Near-to-Medium term.
EFFICIENT & EFFECTIVE DELIVERY	Reducing the turnaround time of core customer-facing and internal processes, thereby strengthening stakeholder relationships.
STAKEHOLDER MANAGEMENT	Developing and maintaining long-lasting, strategic relationships with key stakeholders.

Armcor's key strategic initiatives, set out under each of the Corporation's four strategic outputs, are reflected in Table 5.

**Table 5: Armcor's Strategic Outputs**

**Strategic Output 1: Revenue Generation**

Outcome		Output					Target
1.1	Generate additional realisable revenue	Generate additional income from existing and new sources					31 March 2022
Output Indicators:		Audited/ Actual performance			Current year	Estimate medium-term targets	
		2017/18	2018/2019	2019/20	2020/21	2021/22	2022/23
1.1.1	Group Revenue (transfer payment, other income, and finance income).	New Indicator	R1 221,8m	R1 370,5m	R1 221,8m	R1 324,3m	R1 328,4m
1.1.2	Revenue from existing facilities of Armcor R&D.	R183,3m	R330,6m	R393,5m	R330,6m	R310m	5% increase on baseline based on planned figure of 2021/22
1.1.3	Revenue generated from the Business Enablement Business Unit.	New Indicator	New Indicator	R31,8m	R33,7m	R33,3m	R34,9m

**Quarterly Targets**

Output Indicators:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2020/21	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.1.1	Group Revenue (transfer payment, other income, and finance income).	R1 324,3m	R325,7m	R325,2m	R326,5m	R346,9m
1.1.2	Revenue from existing facilities of Armcor R&D.	R310m	R56,5m	R69,5m	R79,7m	R104,3m
1.1.3	Revenue generated from the Business Enablement Business Unit.	R33,3m	R7,2m	R5,9m	R7,2m	R13m

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

## Strategic Output 2: Cost Management

Outcome		Outputs						Target
2.1	Strategic maintenance and reduction of capital and operating costs	Reduce Group costs, including finance, capital, and operating costs, to ensure zero financial deficit						31 March 2022
Output Indicator:		Audited/ Actual Performance			Current year	Estimate medium-term targets		
		2017/18	2018/2019	2019/2020	2021/2022	2021/22	2022/23	2023/24
2.1.1	Improve net financial position.	106.5%	R235,3m	R178,7m surplus	R243,3m deficit	R3,1m surplus*	R1,4m surplus*	R13.6m deficit*

Note: \* 2021/22 – 2023/24 Does not take into consideration impact from Voluntary Severance Packages or possible Retrenchments.

### Quarterly Targets

Output Indicator:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2021/22	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
2.1.1	Improve net financial position.	R3,1m surplus	R14,2m deficit	R7,9m deficit	R23,6 deficit	R48,8m surplus

### Strategic Output 3: Efficient and Effective Delivery

Outcome		Output					Target	
3.1	Effective Technology and IP Management.	<ul style="list-style-type: none"> <li>Participate and execute the Technology Development Master Plan, conduct research to sustain and grow defence technology base, maintain and sustain strategic test capabilities.</li> <li>Effective management of IP-related technologies.</li> </ul>					31 March 2022	
3.2	Infrastructure Renewal.	<ul style="list-style-type: none"> <li>Renew application systems to improve effectiveness and efficiency.</li> <li>Investigate and implement e-procurement.</li> <li>Improve Information Security.</li> </ul>					31 March 2022	
							31 March 2022	
							31 March 2022	
Output Indicators:		Audited/Actual Performance			Current year	Estimate medium-term targets		
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
3.1.1	Development and Test Services: <ul style="list-style-type: none"> <li>Percentage compliance with DOD contracted work, in accordance with SLA between Armscor and DOD.</li> </ul>	New Indicator	99,6%	121%	90%	90%	90%	90%
3.1.2	Completion of IP requests in terms of Armscor process.	80%	85,7%	100%	80%	80%	80%	80%
3.1.3	Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of Armscor and DOD Intangible Capital Assets under Armscor's management.	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024
3.1.4	Commercialize one IP Technology.	New Indicator	New Indicator	New Indicator	New Indicator	31 March 2022	N/A	N/A
3.2.1	Renew application systems to improve effectiveness and efficiency: <ul style="list-style-type: none"> <li>Appoint an ERP Service Provider.</li> </ul>	New Indicator	New Indicator	New Indicator	New Indicator	31 May 2021	N/A	N/A
	<ul style="list-style-type: none"> <li>Implementation of the approved application system renewal plan.</li> </ul>	New Indicator	New Indicator	40%	80%	80%	80%	80%

Output Indicators:		Audited/Actual Performance			Current year	Estimate medium-term targets		
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	<ul style="list-style-type: none"> <li>Implement IT Infrastructure Renewal in line with Business Continuity Plan in times of crises.</li> </ul>	New Indicator	New Indicator	New Indicator	New Indicator	31 March 2022	N/A	N/A
3.2.2	Improve Information Security: <ul style="list-style-type: none"> <li>80% Implementation of the approved security architecture plan.</li> </ul>	New Indicator	New Indicator	New Indicator	N/A	30 June 2021	N/A	N/A

### Quarterly Targets

Output Indicators:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2021/22	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
3.1.1	Development and Test Services: Percentage compliance with DOD contracted work, in accordance with SLA between Armscor and DOD.	90%	90%	90%	90%	90%
3.1.2	Completion of IP requests in terms of Armscor process	80%	80%	80%	80%	80%
3.1.3	Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of Armscor and DOD Intangible Capital Assets under Armscor's management.	31 March 2022	N/A	N/A	N/A	31 March 2022
3.1.4	Commercialize one IP Technology.	31 March 2022	N/A	N/A	N/A	31 March 2022
3.2.1	Renew application systems to improve effectiveness and efficiency:					
	<ul style="list-style-type: none"> <li>Appoint an ERP Service Provider.</li> </ul>	31 May 2021	31 May 2021	N/A	N/A	N/A
	<ul style="list-style-type: none"> <li>Implementation of the approved application system renewal plan.</li> </ul>	80%	N/A	N/A	N/A	80%
	<ul style="list-style-type: none"> <li>Implement IT Infrastructure Renewal in line with Business Continuity Plan in times of crises.</li> </ul>	31 March 2022	N/A	N/A	N/A	31 March 2022
3.2.2	Improve Information Security: <ul style="list-style-type: none"> <li>80% Implementation of the approved security architecture plan.</li> </ul>	30 June 2021	30 June 2021	N/A	N/A	N/A

## Strategic Output 4: Stakeholder Management

Outcome		Output				Target		
4.1	Stakeholder Engagement Strategy.	Armcor to build, maintain, and strengthen relationships with all its stakeholders.				31 March 2022		
4.2	Transformation of Corporation.	Transformation of the Corporation, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armcor EE Plan.				31 March 2022		
Output Indicators:		Audited/Actual Performance			Current year	Estimate medium-term targets		
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
4.1.1	Stakeholder Satisfaction Improvement Survey (conducted every second year).	N/A	31 March 2019 (2,67 decline)	N/A	31 March 2021	N/A	31 March 2023	N/A
4.1.2	Conduct integrated employee engagement survey and determine new baseline (2020).	0,74% decline	0,01% improvement	No opportunity to perform	% improvement based on 2019/20 baseline	% improvement based on 2020/21 baseline	% improvement to be determined	% improvement to be determined
4.2.1	Achievement of approved Employment Equity Plan that is directed towards:							
	• increasing black representation, and	80% black employees	81,7% black employees	82,97% black employees	82%	83%	83%	83%
	• improving female representation.	36,34% female employees	38% female employees	38,43% female employees	40%	40%	40%	40%
4.2.2	Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4,5%).	2,37%	2,28%	2,78%	≤4,5%	≤4%	≤4%	≤4%

Output Indicators:		Audited/Actual Performance			Current year	Estimate medium-term targets		
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
4.2.3	Skills Development Programme:							
	<ul style="list-style-type: none"> <li>Provision of bursaries for full-time studies (number).</li> <li>Contracting and development of graduate as interns (Talent Development Programme) (number of employees in programme).</li> </ul>	36	35	37	33	23*	23*	23*
	(Note: Armscor to proactively accommodate youth and Military Veterans in contracting TDPs).	44	45	40	40	30*	30*	30*
4.2.4	Succession Planning Development: Percentage compliance with Succession Planning Development (key identified positions).	83,69%	91,48%	81,01%	80%	80%	80%	80%
4.2.5	Total number of people with disabilities.	New Indicator	22	25	28	28	28	28

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

## Quarterly Targets

Output Indicators:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2021/22	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
4.1.2	Conduct integrated employee engagement survey and determine new baseline (2020).	% improvement based on 2020/21 baseline	N/A	N/A	N/A	% improvement based on 2020/21 baseline
4.2.1	Achievement of approved Employment Equity Plan that is directed towards:					
	<ul style="list-style-type: none"> <li>increasing black representation, and</li> <li>improving female representation.</li> </ul>	83%	N/A	N/A	N/A	83%
		40%	N/A	N/A	N/A	40%
4.2.2	Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4,5%).	≤4%	N/A	N/A	N/A	≤4%
4.2.3	Skills Development Programme:					
	<ul style="list-style-type: none"> <li>Provision of bursaries for full-time studies (number).</li> </ul>	23	N/A	N/A	N/A	23
	<ul style="list-style-type: none"> <li>Contracting and development of graduate as interns (Talent Development Programme) (number of employees in programme).</li> </ul> <p>(Note: Armscor to proactively accommodate youth and Military Veterans in contracting TDPs)</p>	30	N/A	N/A	N/A	30
4.2.4	Succession Planning Development:					
	Percentage compliance with Succession Planning Development (key identified positions).	80%	N/A	N/A	N/A	80%
4.2.5	Total number of people with disabilities.	28	N/A	N/A	N/A	28

# 18. Armscor's Business Standards

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

# 19. Armscor's Critical Success Factors

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

- 19.1 **Funding:**  
The external environmental scan reflected a decline in South Africa's defence budget. This is also reflected in the decline in the economic outlook for South Africa over the medium-term, which has resulted in the significant funding reductions over this period. Although Armscor strives to supplement its current funding model through commercial endeavours, the risk of funding 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 Defence Intelligence to strengthen its capability to mitigate the risks related to cyber security.
  - **Leakage of information:** Leakage of information by personnel is a risk to the Corporation and will be managed by awareness, ethics, and other related actions, as deemed necessary.
  - **Physical security:** The physical environment in which Armscor operates requires secure facilities, therefore, it is imperative that all requisite actions are taken to safeguard these environments.
- 19.3 **Effective ICT Systems:**  
The ICT systems in Armscor are outdated and affect the productivity of the Corporation. Reduction in funding has affected strategic imperatives to address the issue, and due to continued reduction in funding, the full realisation of these imperatives is still under threat.
- 19.4 **Effective stakeholder engagement:**  
Effective stakeholder engagement is essential to the success of the strategy, as a number of strategic imperatives require stakeholder support.
- 19.5 **Revenue Generation:**  
Increase in net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the short- to medium-term.
- 19.6 **Timelines to achieve contractual obligations**  
Shortened delivery timelines to achieve contractual obligations.

## 20. Public-Private Partnerships

- 20.1 It is envisaged that Armscor will not enter into any Public-Private Partnerships for the 2021/22 Financial Year.

## 21. Risk Management and Fraud Prevention

- 21.1 An integrated process for risk management and fraud prevention has been implemented in Armscor and the execution of risk management and fraud prevention is an on-going process. To this end, the various levels within the Corporation participate and report to the Executive Committee, which is responsible for ensuring that all risks, both internal and external, are effectively managed.
- 21.2 The Executive Committee reports to the Audit and Risk Committee of the Board of Directors on progress made with the management of existing risks and the identification of new risks. The Audit and Risk Committee evaluates the progress reports and makes the necessary recommendations and comments to Armscor's Board of Directors.
- 21.3 Armscor's Board of Directors is ultimately accountable for risk management and fraud prevention in the Corporation. Armscor's fraud prevention is based on the following principles (the Procedure detailing actions is available on request):
- control measures to prevent fraud;
  - fraud detection and subsequent investigation;
  - maintenance of implemented fraud prevention measures; and
  - whistle-blowing procedures.
- 21.4 Armscor's Risk Management Report comprises eleven identified corporate risks. Although a summarised version is set out in Table 6, a detailed report will be available to those authorised entities that wish to have insight into it.

**Table 6: Risk responses**

No	Corporate risk	Mitigating actions
1	Reduction of the capital budget which will have an impact on Armscor's contractual obligations.	<ul style="list-style-type: none"> <li>a) Direct a correspondence from the CEO to the Secretary for Defence indicating the implications of the reduction of the SDA post 2021/22 and the potential liabilities to be incurred by Armscor.</li> <li>b) Propose early termination of certain contracts to limit exposure to fruitless expenditure.</li> </ul>
2	Financial sustainability of Armscor and loss of capabilities due to a reduction in the transfer payment and other DOD funding.	<ul style="list-style-type: none"> <li>a) Implement cost cutting measures: <ul style="list-style-type: none"> <li>i. Strict monitoring of spending.</li> </ul> </li> <li>b) Commercialisation of business through: <ul style="list-style-type: none"> <li>i. Identify initiatives for generation of income and cost saving.</li> </ul> </li> <li>c) Implement the short-term Dockyard renewal plan.</li> </ul>
3	Non-compliance with SHE statutory and regulatory requirements resulting in inability to deliver on the mandate.	<ul style="list-style-type: none"> <li>a) Develop and implement SHE Awareness and Training Plan. (31 March 2021).</li> <li>b) Conduct audit, as well as quarterly reviews as per the approved SHE audit plan: (April 2020 - 31 March 2021) <ul style="list-style-type: none"> <li>i. Conduct planned annual SHE legal compliance reports.</li> <li>ii. Monitor the implementation of corrective actions. (April 2020 - 31 March 2021).</li> </ul> </li> <li>c) Maintain ISO SHE certification (31 March 2021) <ul style="list-style-type: none"> <li>i. Recertification of ISO standards every three years.</li> <li>ii. Bi-annual surveillance of ISO certificates.</li> </ul> </li> <li>d) Conduct COVID-19 SHE Risk Assessment and Workplace Preparedness Response including the related activities.</li> </ul>
4	Cyber-attack.	<ul style="list-style-type: none"> <li>a) Implementation of secure technology (31 March 2024).</li> <li>b) Integration of technologies at the Security Operations Centre. (31 March 2021).</li> <li>c) Collaboration with Cyber Command as part of the Integrated Cyber Security Centre.</li> <li>d) Develop and implement cyber security training programmes for various levels to identify skills and capabilities that can be executed internally.</li> <li>e) Develop the Cyber Security Division Retention Plan.</li> </ul>
5	Inadequacy of business continuity management for IT Service Continuity Management (ITSCM) and Business Continuity Planning.	<ul style="list-style-type: none"> <li>a) Update the Disaster Recovery Plan (DRP) with post-test information (30 November 2021).</li> <li>b) Review and implement integrated Business Continuity Plan.</li> </ul>
6	Non-payment of monies owed by DOD and DPW resulting in Armscor incurring losses.	<ul style="list-style-type: none"> <li>a) Armscor has requested DPW to schedule a meeting with SIU and invite Armscor, to resolve the short payment (ongoing).</li> <li>b) The long outstanding DOD amount in respect of a separate rental agreement, will again be raised at Ministerial level and DOD structures.</li> <li>c) Conclusion of new rental agreement between DPW and Armscor (ongoing).</li> </ul>

No	Corporate risk	Mitigating actions
7	Loss of Industry capabilities	<ul style="list-style-type: none"> <li>a) Periodically engage industry and contractors through audits and assessment of capabilities.</li> <li>b) Development of a contracting model to enable payment of suppliers and subcontractors directly.</li> <li>c) Provide inputs regarding future structure and positioning of specifically Denel, in order to maintain critical strategic capabilities.</li> </ul>
8	Inability to effectively and efficiently execute strategic and operational outputs due to non-supportive IT systems.	<ul style="list-style-type: none"> <li>a) Review and update the project plan to consider the impact of COVID-19 and the appointment of a service provider.</li> <li>b) Issuance of a Request for Bid (RFB) with detailed business requirements specifications and statement of work in the RFB including proof of technical expertise.</li> <li>c) Board approval of the service provider.</li> </ul>
9	Vulnerability to counter intelligence threats resulting in the compromise of security classified information.	<ul style="list-style-type: none"> <li>a) Appointment of freelancers and motivate appointment of personnel to fill existing vacancies. (30 September 2021)</li> <li>b) Engage Chief of Defence Counter Intelligence (CDCI) with regards to the delays in the adjudication process and inform EXCO on the outcome continuously, submit files that are ready for evaluation to the Panel for consideration (ongoing).</li> <li>c) Monitoring of Limited Access Authority (LAA) process of dual/foreign citizens (ongoing).</li> <li>d) Implement information security awareness sessions. (31 March 2021)</li> </ul>
10	Lack of optimal functioning of systems in the Armscor HQ building due to aged infrastructure.	<ul style="list-style-type: none"> <li>a) Implementation of the facilities management plan: The following are priority areas: <ul style="list-style-type: none"> <li>i. Roof waterproofing. (31 March 2021)</li> <li>ii. Air-conditioning system. (31 March 2021)</li> <li>iii. Lifts (replacement of controllers). (31 March 2021)</li> <li>iv. Access Control Systems. (31 March 2021)</li> <li>v. The PABX system and the telephone management system have been updated.</li> <li>vi. Procurement of generators for back-up site. (30 November 2021)</li> </ul> </li> </ul>
	Reputational risk due to association (negative perception of State-Owned Enterprises).	<ul style="list-style-type: none"> <li>a) Reviewed and approved Fraud Risk Management Policy, Conflict of Interest Practice and Fraud Risk Management Practice as well as the Whistle Blowing Procedure.</li> <li>b) Implement ABMS and Code of Conduct Implementation Plans in order for Armscor to be certified on Anti Bribery Management System (ABMS 37001) standard.</li> </ul>

# 22. Armscor's Materiality and Significance Framework

## 22.1 Introduction

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

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

## 22.2 Framework

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

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

Armscor defines material facts that will be disclosed as:

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

These activities include, but are not restricted to:

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

- Material losses and irregular, fruitless, and wasteful expenditure  
In terms of Section 55(2)(b) of PFMA, the annual report and financial statements of Armscor must include particulars of material losses through criminal conduct, as well as any irregular, fruitless, and wasteful expenditure.

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

- **Significance**

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

- Section 54(2)(a) – Any establishment or participation in the establishment of a company  
Any transaction of this nature that causes any interest (equity or loans) to be taken by Armscor in the company to be established will be submitted for the approval of the executive authority, irrespective of its materiality or significance.
- Section 54(2)(b) – Participation in a significant partnership, trust, unincorporated joint venture, or similar arrangement  
Significance, in this context, will be if the participation (initial or future) exceeds a rand amount calculated as the lesser of 2% of Armscor's total assets or 1% of the total revenue. However, participation in any partnership, trust, unincorporated joint venture, or similar arrangement that is located outside the Republic of South Africa 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 accepted accounting practices will not be regarded as falling under this subsection.
- Section 54(2)(e) – Commencement or cessation of a significant business activity:
  - 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.
  - The cessation of any business activity that is regarded as strategically important to SANDF is regarded as significant.
  - 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:
  - 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 was originally regarded as significant;
  - change in the nature of any of the vehicles (i.e. between a partnership, trust, unincorporated joint venture, or similar arrangement); or
  - 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 and Development; and
- Dockyard.
- Revenue

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

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

- Operating expenditure

Cost growth has been carefully managed over the planning period in response to the negative future outlook. The Corporation's cost base has been maintained by containment and limiting the filling of vacancies to critical areas. However, personnel costs represent a significant portion of the total cost structure, which limits the ability to reduce cost as the minimum capacity is maintained in an effort to still execute its current mandate. However, due to the significant reduction of our 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 Enterprise Resource Planning (ERP) system. Provision was made to start with the replacement of critical modules that are not supportable anymore.
- Security requirements: provision is made for the upgrade of security requirements in line with identified areas of shortcomings.

- Dividends

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

- Borrowing requirements

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



# Annexure A

Armaments Corporation of  
South Africa SOC Limited

Group Financial Information

# Annexure A 1

## Overview of 2021 Budget

Table 7: Statement of Comprehensive Income of the Armscor Group for the 2021/22 Financial Year

DETAIL	2020/2021 - BUDGET	BUDGET 2021/2022			
	ARMSCOR GROUP TOTAL	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT
<b>INCOME</b>	<b>(1 390.2)</b>	<b>(1 505.2)</b>	<b>(949.1)</b>	<b>(270.1)</b>	<b>(286.0)</b>
Sales	(925.1)	(801.9)	(425.3)	(75.0)	(301.5)
Less: Cost of Sales	738.3	592.4	404.7	66.8	121.0
<b>Gross Contribution</b>	<b>(186.8)</b>	<b>(209.4)</b>	<b>(20.7)</b>	<b>(8.2)</b>	<b>(180.5)</b>
Transfer Payment	(1 136.2)	(1 207.4)	(828.6)	(265.7)	(113.0)
SLA Income Payments	-	-	(19.9)	3.8	16.0
Other Income	(44.8)	(65.0)	(56.5)	-	(8.4)
Recoveries	(22.3)	(23.4)	(23.4)	-	-
<b>OPERATING EXPENDITURE</b>	<b>1 586.8</b>	<b>1 454.0</b>	<b>884.9</b>	<b>261.6</b>	<b>307.5</b>
Direct Personnel Costs	1 227.5	1 127.0	652.3	234.7	240.1
Indirect Personnel Costs	35.2	32.6	19.4	8.1	5.1
Subsistence and Travel	41.1	38.3	27.4	2.1	8.7
Postage and Communication	3.5	3.0	1.9	0.0	1.1
Stationery and Printing	14.4	17.8	14.9	1.3	1.7
Publications and Advertising	12.1	3.5	2.5	0.1	0.9
Rental	26.8	28.9	24.1	-	4.8
Maintenance	20.4	18.2	2.5	7.7	8.0
Computer Services	10.9	4.7	1.1	1.6	2.0
External Services	105.1	102.7	84.7	2.1	15.8
Water and Electricity	43.7	46.4	36.3	-	10.1
Other Smaller Expenditure	45.9	31.0	17.7	4.0	9.2
<b>SHORTFALL/(SURPLUS) BEFORE FINANCING</b>	<b>196.6</b>	<b>(51.2)</b>	<b>(64.2)</b>	<b>(8.5)</b>	<b>21.5</b>
<b>FINANCING ACTIVITIES</b>	<b>(41.8)</b>	<b>(52.0)</b>	<b>(40.6)</b>	<b>(1.9)</b>	<b>(9.4)</b>
<b>NON CASH - FLOW ITEMS</b>	<b>88.6</b>	<b>100.1</b>	<b>57.1</b>	<b>10.0</b>	<b>33.0</b>
Depreciation	88.6	100.0	57.1	10.0	33.0
Bad Debt Written Off	-	0.0	-	-	0.0
<b>NET SHORTFALL/(SURPLUS)</b>	<b>243.3</b>	<b>(3.1)</b>	<b>(47.7)</b>	<b>(0.4)</b>	<b>45.1</b>

# Annexure A2

**Table 8: Overview of 2021 Budget and Medium-Term Strategic Framework Estimates**  
**ARMSCOR GROUP**

DETAIL	2021/22 BUDGET				2022/23 PLAN				2023/24 PLAN			
	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT
<b>INCOME</b>	<b>(1 505.2)</b>	<b>(949.1)</b>	<b>(270.1)</b>	<b>(286.0)</b>	<b>(1 516.3)</b>	<b>(944.3)</b>	<b>(278.9)</b>	<b>(293.2)</b>	<b>(1 512.8)</b>	<b>(927.0)</b>	<b>(286.7)</b>	<b>(299.0)</b>
Sales	(801.9)	(425.3)	(75.0)	(301.5)	(842.0)	(446.6)	(78.8)	(316.6)	(884.1)	(468.9)	(82.7)	(332.4)
Less: Cost of Sales	592.4	404.7	66.8	121.0	622.1	424.9	70.1	127.0	653.2	446.1	73.6	133.4
Gross Contribution	<b>(209.4)</b>	<b>(20.7)</b>	<b>(8.2)</b>	<b>(180.5)</b>	<b>(219.9)</b>	<b>(21.7)</b>	<b>(8.6)</b>	<b>(189.6)</b>	<b>(230.9)</b>	<b>(22.8)</b>	<b>(9.1)</b>	<b>(199.1)</b>
Transfer Payment	(1 207.4)	(828.6)	(265.7)	(113.0)	(1 203.7)	(817.8)	(274.3)	(111.6)	(1 184.5)	(794.2)	(281.9)	(108.3)
SLA Income Payments	-	(19.9)	3.8	16.0	-	(20.9)	4.0	16.8	-	(21.9)	4.2	17.7
Other Income	(65.0)	(56.5)	-	(8.4)	(68.2)	(59.4)	-	(8.9)	(71.7)	(62.3)	-	(9.3)
Recoveries	(23.4)	(23.4)	-	-	(24.5)	(24.5)	-	-	(25.8)	(25.8)	-	-
<b>OPERATING EXPENDITURE</b>	<b>1 454.0</b>	<b>884.9</b>	<b>261.6</b>	<b>307.5</b>	<b>1 464.0</b>	<b>892.0</b>	<b>262.3</b>	<b>309.7</b>	<b>1 474.5</b>	<b>899.4</b>	<b>262.9</b>	<b>312.1</b>
Direct Personnel Costs	1 127.0	652.3	234.7	240.1	1 127.0	652.3	234.7	240.1	1 127.0	652.3	234.7	240.1
Indirect Personnel Costs	32.6	19.4	8.1	5.1	32.6	19.4	8.1	5.1	32.6	19.4	8.1	5.1
Subsistence and Travel	38.3	27.4	2.1	8.7	38.3	27.4	2.1	8.7	38.3	27.4	2.1	8.7
Postage and Communication	3.0	1.9	0.0	1.1	3.2	2.0	0.0	1.1	3.3	2.1	0.0	1.2
Stationery and Printing	17.8	14.9	1.3	1.7	17.8	14.9	1.3	1.7	17.8	14.9	1.3	1.7
Publications and Advertising	3.5	2.5	0.1	0.9	3.5	2.5	0.1	0.9	3.5	2.5	0.1	0.9
Rental	28.9	24.1	-	4.8	30.3	25.3	-	5.0	31.9	26.6	-	5.3
Maintenance	18.2	2.5	7.7	8.0	19.1	2.7	8.0	8.4	20.1	2.8	8.4	8.8
Computer Services	4.7	1.1	1.6	2.0	4.9	1.2	1.7	2.1	5.2	1.2	1.8	2.2
External Services	102.7	84.7	2.1	15.8	105.7	87.3	2.1	16.3	108.9	89.9	2.2	16.8
Water and Electricity	46.4	36.3	-	10.1	49.6	38.8	-	10.8	53.1	41.5	-	11.6
Other Smaller Expenditure	31.0	17.7	4.0	9.2	31.9	18.3	4.1	9.5	32.9	18.8	4.2	9.8
<b>SHORTFALL/(SURPLUS) BEFORE FINANCING ACTIVITIES</b>	<b>(51.2)</b>	<b>(64.2)</b>	<b>(8.5)</b>	<b>21.5</b>	<b>(52.4)</b>	<b>(52.3)</b>	<b>(16.6)</b>	<b>16.6</b>	<b>(38.3)</b>	<b>(27.6)</b>	<b>(23.8)</b>	<b>13.1</b>
<b>FINANCING ACTIVITIES</b>	<b>(52.0)</b>	<b>(40.6)</b>	<b>(1.9)</b>	<b>(9.4)</b>	<b>(54.0)</b>	<b>(42.2)</b>	<b>(2.0)</b>	<b>(9.8)</b>	<b>(56.2)</b>	<b>(43.9)</b>	<b>(2.1)</b>	<b>(10.2)</b>
<b>NON CASH - FLOW ITEMS</b>	<b>100.1</b>	<b>57.1</b>	<b>10.0</b>	<b>33.0</b>	<b>105.0</b>	<b>59.9</b>	<b>10.5</b>	<b>34.6</b>	<b>108.2</b>	<b>61.7</b>	<b>10.8</b>	<b>35.7</b>
Depreciation	100.0	57.1	10.0	33.0	105.0	59.9	10.5	34.6	108.2	61.7	10.8	35.7
Bad Debt Written Off	0.0	-	-	0.0	-	-	-	-	-	-	-	-
<b>NET SHORTFALL/(SURPLUS)</b>	<b>(3.1)</b>	<b>(47.7)</b>	<b>(0.4)</b>	<b>45.1</b>	<b>(1.4)</b>	<b>(34.6)</b>	<b>(8.2)</b>	<b>41.4</b>	<b>13.6</b>	<b>(9.8)</b>	<b>(15.1)</b>	<b>38.6</b>
<b>ASSETS</b>	<b>356.1</b>	<b>275.0</b>	<b>16.8</b>	<b>64.2</b>	<b>178.0</b>	<b>137.5</b>	<b>8.4</b>	<b>32.1</b>	<b>89.0</b>	<b>68.8</b>	<b>4.2</b>	<b>16.1</b>

# Annexure A3

**Table 9: Armscor Group Statement of Financial Position: Three-Year Plan**

DETAILS	AMOUNT (Rm)			
	31 March 2021	31 March 2022	31 March 2023	31 March 2024
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
PROPERTY, PLANT AND EQUIPMENT	1 768.9	2 014.9	2 088.0	2 068.8
INTANGIBLE ASSETS	26.6	36.6	43.6	50.6
INVESTMENT IN JOINT VENTURE	0.1	0.1	0.1	0.1
FINANCIAL INSTRUMENTS	500.0	500.0	500.0	500.0
<b>CURRENT ASSETS</b>	<b>815.8</b>	<b>562.3</b>	<b>493.8</b>	<b>505.9</b>
Inventories	9.0	8.1	7.7	8.1
Trade and other receivables	231.2	243.9	257.3	271.5
Cash and short term deposits	575.6	310.2	228.8	226.3
<b>TOTAL ASSETS</b>	<b>3 111.4</b>	<b>3 114.0</b>	<b>3 125.5</b>	<b>3 125.5</b>
<b>EQUITY AND LIABILITIES</b>				
<b>CAPITAL AND RESERVES</b>				
ORDINARY SHARE CAPITAL	75.0	75.0	75.0	75.0
NON-DISTRIBUTABLE RESERVE	2 429.5	2 432.6	2 434.0	2 420.4
<b>ORDINARY SHAREHOLDERS' INTEREST</b>	<b>2 504.5</b>	<b>2 507.6</b>	<b>2 509.0</b>	<b>2 495.4</b>
<b>NON CURRENT LIABILITIES</b>	<b>277.2</b>	<b>288.8</b>	<b>303.6</b>	<b>319.7</b>
Post retirement medical benefit liability	238.1	254.7	272.6	291.6
Deferred income	39.1	34.1	31.1	28.1
<b>CURRENT LIABILITIES</b>	<b>329.7</b>	<b>317.5</b>	<b>312.9</b>	<b>310.4</b>
Trade and other payables and provisions	303.3	301.1	299.7	299.2
Deferred income	26.5	16.5	13.2	11.2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 111.4</b>	<b>3 114.0</b>	<b>3 125.5</b>	<b>3 125.5</b>

# Annexure A4

**Table 10: Armscor Group Cash Flow Statement: Three-Year Plan for 2021/22 to 2023/24 Financial Years**

DESCRIPTION	31 March 2021	31 March 2022	31 March 2023	31 March 2024
	Rm	Rm	Rm	Rm
<b>OPERATING ACTIVITIES</b>				
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	(116.6)	90.8	96.6	86.6
Cash receipts from customers	1834.3	1996.5	2034.7	2056.9
Cash paid to suppliers and employees	(2012.0)	(1957.7)	(1992.2)	(2026.5)
Cash generated from/(used in) operations	(177.7)	38.8	42.5	30.4
Net finance income	61.0	52.0	54.0	56.2
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant, equipment and intangible assets	(71.3)	(356.1)	(178.0)	(89.0)
Proceeds from sale of property, plant and equipment	0.0	0.0	0.0	0.0
<b>TOTAL CASH MOVEMENT FOR THE YEAR</b>	(287.9)	(265.3)	(81.5)	(2.4)
<b>CASH AT BEGINNING OF THE YEAR</b>	863.5	575.6	310.2	228.8
<b>TOTAL CASH AT END OF THE YEAR</b>	575.6	310.2	228.8	226.3

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

DESCRIPTION	31 March 2021	31 March 2022	31 March 2023	31 March 2024
	Rm	Rm	Rm	Rm
<b>1. CASH GENERATED FROM/(USED IN) OPERATIONS</b>				
(Loss)/Profit for the year	(195.0)	3.1	1.4	(13.6)
<b>Adjustments for:</b>				
Depreciation, amortisation and impairment reversals	87.0	100.0	98.0	101.2
Net finance income	(61.0)	(52.0)	(54.0)	(56.2)
Movement in retirement benefit assets and liabilities	19.1	16.7	17.8	19.1
Operating surplus/(deficit) before working capital changes	(150.0)	67.8	63.2	50.4
<b>Changes in working capital:</b>	(27.7)	(29.0)	(20.7)	(20.0)
(Increase)/Decrease in trade and other receivables	(11.0)	(12.7)	(13.4)	(14.2)
Increase/(Decrease) in deferred income	(13.0)	(15.0)	(6.3)	(5.0)
(Increase) in inventories	1.0	0.9	0.4	(0.4)
Increase/(Decrease) in accounts payable and provisions	(4.7)	(2.2)	(1.4)	(0.5)
Cash generated by operations	(177.7)	38.8	42.5	30.4

# Annexure A5

**Table 11: Group Capital Expenditure for the 2021/22 Financial Year**

<b>TOTAL ARMSCOR GROUP</b>	<b>NEW BUDGET 2021/2022</b>	<b>CURRENT BUDGET 2020/2021</b>
OFFICE EQUIPMENT	1 834 420	2 510 634
COMPUTER EQUIPMENT	81 286 173	94 964 106
OFFICE FURNITURE	2 062 450	1 169 000
COMPUTER SOFTWARE	97 416 189	8 130 000
BUILDINGS AND INFRASTRUCT	133 205 090	14 350 000
MACHINERY AND EQUIPMENT	26 228 000	30 966 674
MOTOR VEHICLES	4 900 000	7 503 322
CAPITAL ASSETS	7 400 000	86 841 178
<b>Total</b>	<b>354 332 322</b>	<b>246 434 914</b>

Note: Capital expenditure budgeted for in 2021/22 financial year include items not executed in 2020/21 financial year

# Annexure B

## Armcor Board of Directors

## Abridged Curriculum Vitae

### Non-Executive members:

#### Name:

Gender:

Race:

Academic Qualifications:

Areas of Expertise:

Position on Armcor Board:

Appointment Date:

Positions on other Boards:

#### Dr P.D. Dexter - Chairperson

Male

White

PhD

MPhil

BA

Project Management

Strategic Leadership

Financial Management

Research and Analysis

Human Resources

Change Management

Chairperson of the Board

1 December 2020

South African Weather Service

NEHAWU Investment Holdings

Africa Energy Corporation

Global Beef

Freedom Property Fund

One Vision Investment

Emerald Panther Investment

NIH Subsidiaries

#### Name:

Gender:

Race:

Academic Qualifications:

Areas of Expertise:

Position on Armcor Board:

Appointment Date:

Position on other Boards:

#### Mr M.S. Motimele – Deputy Chairperson

Male

African

Management Development Programme

Certificate in Finance Management

MBA

Communication and Public Relations

Labour Relations

Intergovernmental Relations

Legislative Experience

Integrated Management System

Deputy Chairperson of the Board

Member of the Audit and Risk Committee

Member of the Technology, Industry Support and Sustainability Committee

27 March 2019

MS Motimele Marketing and Consulting Pty (Ltd)

AfriSteel Pty (Ltd)

Direla Investments

Bunang Food Security

#### Name:

Gender:

Race:

Academic Qualifications:

#### Ambassador T.J. Ndhlovu

Female

African

Bachelor of Arts Political Science

Bachelor of Science Public Administration

Master of Arts Counselling Psychology

Executive Leadership Training Programme

Middle Management Course

Heads of Mission Orientation Course

Areas of Expertise:	Foreign Relations
Position on Armscor Board:	Non-Executive Director of the Board Member of the Human Resources, Social and Ethics Committee Member of Technology, Industry Support and Sustainability Committee
Appointment Date:	1 May 2017 (re-appointed 1 December 2020)
Positions on other Boards:	None
<b>Name:</b>	<b>Dr R.C. Lubisi</b>
Gender:	Male
Race:	African
Academic Qualifications:	Bachelor of Science Higher Diploma in Education Bachelor of Education Doctor of Philosophy
Areas of Expertise:	Project Management Strategic Management
Position on Armscor Board:	Non-Executive Director of the Board Chairperson of the Technology, Industry Support and Sustainability Committee Member of the Audit and Risk Committee
Appointment Date:	1 December 2020
Positions on other Boards:	Chairperson for Morar Incorporated Maziwa Holdings ThemoPharm
<b>Name:</b>	<b>Ms R. Matenche</b>
Gender:	Female
Race:	African
Academic Qualifications:	CA (SA) Bachelor of Accounting
Areas of Expertise:	Financial Management Taxation Auditing Strategy Gender transformation
Position on Armscor Board:	Non-Executive Director of the Board Chairperson of the Audit and Risk Committee Member of the Human Resources, Social and Ethics Committee
Appointment Date:	1 December 2020
Positions on other Boards:	South African Institute of Chartered Accountants (SAICA) Social Housing Regulatory Authority (SHRA) Commission For Gender Equality (CGE - Chairperson of Audit and Risk)
<b>Name:</b>	<b>Maj Gen (ret) L.C. Pepani</b>
Gender:	Male
Race:	African
Academic Qualifications:	Diploma in Social Sciences Executive National Security Programme Certificate in Public Relations Management Executive Course in Peace Operations
Areas of Expertise:	Foreign Liaison Transformation High level negotiation and facilitation Security and Political analysis Security and defence management
Position on Armscor Board:	Non-Executive Director of the Board Member of the Human Resources, Social and Ethics Committee Member of the Acquisition Committee
Appointment Date:	1 December 2020

Positions on other Boards:	None
<b>Name:</b>	<b>Ms F. Skweyiya-Gushu</b>
Gender:	Female
Race:	African
Academic Qualifications:	Post Graduate Diploma Masters in International Political Communications
Areas of Expertise:	Communications and Marketing Campaigning Research Project Management Media Relations Public Diplomacy
Position on Armscor Board:	Non-Executive Director of the Board Member of the Audit and Risk Committee Member of the Technology, Industry Support and Sustainability Committee
Appointment Date:	1 December 2020
Positions on other Boards:	20 Media Incubation
<b>Name:</b>	<b>Mr T.M. Sukazi</b>
Gender:	Male
Race:	African
Academic Qualifications:	B. Proc. (UNISA) LLB (UNISA) LLM (UCT)
Areas of Expertise:	Corporate Governance and Regulatory Mergers and Acquisitions Corporate and Commercial Law Banking and Finance
Position on Armscor Board:	Non-Executive Director of the Board Chairperson of the Acquisition Committee Member of the Audit and Risk Committee
Appointment Date:	1 December 2020
Positions on other Boards:	Social Housing Regulatory Authority Council Member
<b>Name:</b>	<b>Ms P.N. Mashinini</b>
Gender:	Female
Race:	African
Academic Qualifications:	Post Graduate Diploma Diploma in Project Management Executive Management Development Programme Master's in Business Administration
Areas of Expertise:	Corporate Services Strategy Human Resources Transformation Performance Management Operations Management
Position on Armscor Board:	Non-Executive Director of the Board Chairperson of the Human Resources, Social and Ethics Committee Member of the Acquisition Committee
Appointment Date:	1 December 2020
Positions on other Boards:	Thebe Investment Company
<b>Executive members:</b>	Adv. S.P. Mbada Mr J.G. Grobler
<b>Company Secretary:</b>	Ms F.M. Kumalo
Note: For details, refer to Armscor's Executive Committee Abridged Curriculum Vitae	

# Annexure C

Armcor Executive Committee	Abridged Curriculum Vitae
<b>Name:</b>	<b>Adv. S.P. Mbada - Chief Executive Officer</b>
Gender:	Male
Race:	African
Academic Qualifications:	B Juris BA (Hons) MAP LLB LLM
Areas of Expertise:	Strategic Management HR Management IR Management Training Management
Position on Executive Committee:	Chief Executive Officer
Position on other Boards:	Directorships: Armcor Defence Institutes (Pty) Ltd ( <i>Dormant</i> )
<b>Name:</b>	<b>Mr J.G. Grobler</b>
Gender:	Male
Race:	White
Academic Qualifications:	CA (SA) MBL MCom (Tax)
Areas of Expertise:	Financial Management Corporate Governance
Positions on other Boards:	Directorships: Armcor Defence Institutes (Pty) Ltd ( <i>Dormant</i> ) Erasmusrand Properties (Pty) Ltd ( <i>Dormant</i> ) Sportrand (Pty) Ltd ( <i>Dormant</i> ) Oospark (Pty) Ltd ( <i>Dormant</i> )
Position on Executive Committee:	Chief Financial Officer
<b>Name:</b>	<b>Mr J.S. Mkwana</b>
Gender:	Male
Race:	African
Academic Qualifications:	BSc MBL MSc (with specialisation in Project Management) Msc (Supply Chain Management & Logistics) Total Quality Management (TQM) Programme
Areas of Expertise:	Strategic Management Operations Management Project Management Quality Management Acquisition
Position on Executive Committee:	Group Executive: Acquisition and SCM

**Name:** Prof. N.M. Mkaza  
Gender: Male  
Race: African  
Academic Qualifications: BSc (Education)  
BSc (Hons)  
MSc (Materials Science)  
Post Graduate Diploma in Electrical Engineering  
PhD (Nuclear Physics)  
MBA  
Areas of Expertise: Coaching  
Emotional Intelligence  
Strategic leadership and management  
Management in the Science and Technology Environment  
Position on Executive Committee: Group Executive: Research and Development

**Name:** Adv. N.B. Senne  
Gender: Male  
Race: African  
Academic Qualifications: B Juris  
LLB  
Bar Exam (Society of Advocates)  
Areas of Expertise: Governance  
Legal  
Strategy  
Position on Executive Committee: Group Executive: Business Assurance

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

**Name:** Ms J.L. Mzili  
Gender: Female  
Race: African  
Academic Qualifications: Master's in Business Administration  
B Com (Hons) in Business Management  
B Com  
Areas of Expertise: Strategic Management  
Strategic Marketing  
Business Development  
Financial Management  
Position on Executive Committee: Group Executive: Business Enablement

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

# Annexure D

## Armcor technical indicator descriptions for the 2021/22 Financial Year

### Service level agreement

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

INDICATOR TITLE	1.1 PERCENTAGE OF DOD CAPITAL REQUIREMENTS CONVERTED INTO ORDERS PLACED
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.
SOURCE OF DATA	Signed Service Level Agreement. Reports: SLAR1.RPT; SLAR1A.RPT and SLAR1B.RPT. AGSA report.
METHOD OF CALCULATION/ ASSESSMENT	The total of column "Amount on Req (v1)" on report SLAR1A & B.RPT: Client 60: Chief Acquisition is the total of the requirement's that was received from the DOD. The total of column "Amount on order (v1)" on report SLAR1A & B.RPT: Client 60: Chief Acquisition is the total of the amount that was committed. Divide the amount committed by the amount received for % achieved.
MEANS OF VERIFICATION	Signed Service Level Agreement. Reports: SLAR1.RPT; SLAR1A.RPT and SLAR1B.RPT. AGSA report.
ASSUMPTIONS	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.
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	1.2 EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED
DEFINITION	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.
SOURCE OF DATA	Signed Service Level Agreement. Reports: MXXR3B.RPT; MXXR3C.RPT and DXR3A.RPT. AGSA report.
METHOD OF CALCULATION/ ASSESSMENT	Add the "Total" of column "1st Revision Version 19" (reports MXXR3B.RPT (projects) and MXXR3C.RPT (SDP's)) together to get the planned cash flow for orders placed.  Add the total "Paid" (reports MXXR3B.RPT (projects) and MXXR3C.RPT (SDP's)) together to get the cash flow that realised.  Divide the cash flow that realised by the planned cash flow for orders places for % achieved.  (add roll overs).
MEANS OF VERIFICATION	Signed Service Level Agreement. Reports: MXXR3B.RPT; MXXR3C.RPT and DXR3A.RPT AGSA report.

INDICATOR TITLE	1.2 EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED
<b>ASSUMPTIONS</b>	Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A 2. Target for Youth: N/A 3. Target for People with Disabilities: N/A
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	95%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer Group Executive: Acquisition and SCM

## GOAL 2: SYSTEM SUPPORT ACQUISITION AND PROCUREMENT

INDICATOR TITLE	2.1 PERCENTAGE OF DOD SYSTEM SUPPORT AND PROCUREMENT REQUIREMENTS CONVERTED INTO ORDERS PLACED
<b>DEFINITION</b>	The actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD. AGSA/ Internal Audit report.
<b>SOURCE OF DATA</b>	Signed Service Level Agreement. Reports: SLAR1.RPT; SLAR1A.RPT and SLAR1B.RPT
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Subtract the total of requirement's that was 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 that was 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.
<b>MEANS OF VERIFICATION</b>	Signed Service Level Agreement. Reports: MXXR3B.RPT; MXXR3C.RPT and DXXR3A.RPT. AGSA/ Internal Audit report.
<b>ASSUMPTIONS</b>	To measure the actual commitment of funds against the formally planned value of commitments, this is based on requirements received and confirmed as valid requirements from the DOD.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A 2. Target for Youth: N/A 3. Target for People with Disabilities: N/A
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	95%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer Group Executive: Acquisition and SCM

INDICATOR TITLE	2.2 EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED
DEFINITION	Actual cash flow measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD.
SOURCE OF DATA	Signed Service Level Agreement. Reports: SLAR1.RPT; SLAR1A.RPT and SLAR1B.RPT AGSA/ Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	Subtract the total of requirement's that was 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 that was 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: MXXR3D.RPT (point 1.2). AGSA/ Internal Audit report.
ASSUMPTIONS	The actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD.
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

### GOAL 3: SCHEDULE PLACEMENT

INDICATOR TITLE	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.
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. 2880 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	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	95 days for shortened process COTS items 120 days for non-COTS and Product Support GDA procurement 145 days for SDA acquisition programmes
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Acquisition and SCM

#### GOAL 4: MANAGEMENT OF DEFENCE INDUSTRIAL PARTICIPATION

INDICATOR TITLE	VALUE OF DEFENCE INDUSTRIAL PARTICIPATION CREDITS TO BE GRANTED
DEFINITION	The value of DIP credits to be granted to overseas suppliers.
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 2021/22" under the heading "Running Active Agreements – Special Defence Account" add the total of column "achievement 2021/22" to the total (running SAPS Agreement) under the heading "Running active agreements- South African Police Services, or use the total under the heading "Total active portfolio (completed and running agreements" Achievement 2018/19 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	R129,95m
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Acquisition and SCM

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

INDICATOR TITLE	PERCENTAGE OF EXECUTION OF TECHNOLOGY REQUIREMENTS
DEFINITION	R&D to achieve contractual milestones/deliveries as per agreed MoA and orders received for the financial year.
SOURCE OF DATA	Signed Service Level Agreement. Group order covers report per Divisions/Business Units. AGSA/ Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	Total of order invoice divided by order received.
MEANS OF VERIFICATION	Signed Service Level Agreement. Group order covers report per Divisions/Business Units. AGSA/ Internal Audit report.
ASSUMPTIONS	R&D to achieve contractual milestones/deliveries as per agreed MoA and orders received for the financial year.
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: Research and Development

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

INDICATOR TITLE	6.1 PERCENTAGE OF CONTRACTUAL MILESTONES EXECUTED
DEFINITION	The adherence to the project contractual milestones planned dates as approved in project plan.
SOURCE OF DATA	Signed Service Level Agreement. Signed performance management agreements by Project manager, as well as Manager Technical Upkeep Section, SA Navy. AGSA/ Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	Performance allocated by SAN (achievements against project plan).
MEANS OF VERIFICATION	Signed Service Level Agreement. Signed performance management agreements by Project manager, as well as Manager Technical Upkeep Section, SA Navy. AGSA/ Internal Audit report.
ASSUMPTIONS	Ensure adherence to Project contractual milestone planned dates as approved in project 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	Chief Executive Officer. Executive Manager: Dockyard.

INDICATOR TITLE	6.2 PERCENTAGE OF COMPLIANCE TO PROJECT FINANCE
DEFINITION	Management of project finances in accordance within approved financial authorities and cash-flow plan.
SOURCE OF DATA	Signed Service Level Agreement. Report: DXXR12A.RPT. AGSA/ Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	Total fixed term labour/spares & material paid divided by Total fixed term labour/spares & material committed = cash flow % achieved.
MEANS OF VERIFICATION	Signed Service Level Agreement. Report: DXXR12A.RPT. AGSA/ Internal Audit report.
ASSUMPTIONS	To manage project finances in accordance within 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	Chief Executive Officer. Executive Manager: Dockyard.

INDICATOR TITLE	6.3 PERCENTAGE OF ANCILLARY SERVICES EXECUTED
DEFINITION	Provision of ancillary services as defined by SA Navy [power generation station, air supply, water supply, carnage support requirements, etc.] as per Dockyard funded business plan.
SOURCE OF DATA	Signed Service Level Agreement. Flag Officer Command sign off on ancillary services delivered. AGSA/ Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	Measurement of services delivered against agreement between SA Navy and Dockyard.
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	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.
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	Training provided against SA Navy requirements.
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 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	90%
INDICATOR RESPONSIBILITY	Chief Executive Officer. Executive Manager: Dockyard.

INDICATOR TITLE	6.5 PERCENTAGE COMPLIANCE WITH QUARTERLY REPORT TIMELINES
DEFINITION	Supply quarterly reports to Fleet Officer Flag that addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., as per reporting timeline schedule.
SOURCE OF DATA	Signed Service Level Agreement. Signed "Acknowledgement of Receipt" by Flag Officer Fleet. AGSA/ Internal Audit report
METHOD OF CALCULATION/ ASSESSMENT	Training provided against SA Navy requirements.
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 Fleet Officer Flag that addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., 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	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	90%
INDICATOR RESPONSIBILITY	Chief Executive Officer. Executive Manager: Dockyard.

## STRATEGIC OUTPUT 1: REVENUE GENERATION

INDICATOR TITLE	GROUP REVENUE (TRANSFER PAYMENT, OTHER INCOME, AND FINANCE INCOME)
DEFINITION	Increasing the net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the Short-to-Medium term.
SOURCE OF DATA	Armscor financial statements.
METHOD OF CALCULATION/ ASSESSMENT	Score = Budgeted deficit minus actual deficit = R value/budgeted deficit.
MEANS OF VERIFICATION	Financial statement showing a 5% reduction against each relevant financial year.
ASSUMPTIONS	To generate additional income from existing and new sources. AGSA.
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	R1 324,3m.
INDICATOR RESPONSIBILITY	Chief Executive Officer Chief Financial Officer

INDICATOR TITLE	REVENUE FROM EXISTING FACILITIES OF ARMSCOR R&D
DEFINITION	Realisable revenue from the existing facilities of Armscor R&D to ensure that Armscor meet its funding needs in the Short-to-Medium term.
SOURCE OF DATA	Armscor Financial Statement.
METHOD OF CALCULATION/ ASSESSMENT	Score = Total of "consolidated order amount invoiced (YTD)" which is Service Level Agreement with Department of Trade and Industry; Non-DOD Government Orders; Local Commercial Work; and Foreign Commercial Work.
MEANS OF VERIFICATION	Financials that there was a 5% increase on the value of 2019/20 financial year goal.
ASSUMPTIONS	To generate additional income from existing facilities of Armscor R&D. AGSA.
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	R310m.
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Research and Development

INDICATOR TITLE	REVENUE GENERATED FROM THE BUSINESS ENABLEMENT BUSINESS UNIT
DEFINITION	The generated revenue from Business Enablement Business Unit to ensure that Armscor meet its funding needs in the Short-to-Medium term.
SOURCE OF DATA	Armscor Financial Statement.

INDICATOR TITLE	REVENUE GENERATED FROM THE BUSINESS ENABLEMENT BUSINESS UNIT
METHOD OF CALCULATION/ ASSESSMENT	Add "Other Income" and "Gross Contribution from Sales" together from the financial statement.
MEANS OF VERIFICATION	Armcor Financial Statement. AGSA.
ASSUMPTIONS	To generate additional income from existing facilities of Armcor R&D.
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	R33,3m.
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Business Enablement

## STRATEGIC OUTPUT 2: COST MANAGEMENT

INDICATOR TITLE	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.
SOURCE OF DATA	Statement of Financial Performance for the Armcor Group.
METHOD OF CALCULATION/ ASSESSMENT	Score = Add "Other Income" and "Gross Contribution from Sales" together from the financial statement.
MEANS OF VERIFICATION	Statement of Financial Performance for the Armcor Group. AGSA.
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	Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	R3.1m surplus
INDICATOR RESPONSIBILITY	Chief Executive Officer Chief Financial Officer

### STRATEGIC OBJECTIVE 3: EFFICIENT AND EFFECTIVE DELIVERY

INDICATOR TITLE	DEVELOPMENT AND TEST SERVICES: • PERCENTAGE COMPLIANCE WITH TECHNOLOGY DEVELOPMENT MASTER PLAN, IN ACCORDANCE WITH SLA BETWEEN ARMSCOR AND DOD
DEFINITION	The percentage of compliance in line with Technology Development Master Plan according to the SLA between Armscor and DOD.
SOURCE OF DATA	Report DXXR7A. RPT: Financial providing 90% compliance in accordance with SLA between DOD and Armscor.
METHOD OF CALCULATION/ ASSESSMENT	Score = The total value more/less/in line with the planned value.
MEANS OF VERIFICATION	Report DXXR7A. RPT: Financial providing 90% compliance in accordance with SLA between DOD and Armscor. Internal Audit.
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	Chief Executive Officer Group Executive: Research and Development

INDICATOR TITLE	COMPLETION OF IP REQUESTS IN TERMS OF ARMSCOR PROCESS
DEFINITION	A total percentage of all IP-requests completed in terms of Armscor process.
SOURCE OF DATA	Proof of all requests received and the process/approval of IP related technologies.
METHOD OF CALCULATION/ ASSESSMENT	Score = IP related technologies processed divided by total requests received.
MEANS OF VERIFICATION	Proof of all requests received and the process/approval of IP related technologies. Internal Audit.
ASSUMPTIONS	Effective management of IP-related technologies
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	80%.
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Research and Development

INDICATOR TITLE	MAINTAIN A COMPLETE AND COMPREHENSIVE IP REGISTER, WHICH ENSURES THE MAINTAINANCE OF AN UNQUALIFIED AUDIT OPINION, IN RESPECT ARMSCOR AND DOD INTANGIBLE CAPITAL ASSETS UNDER ARMSCOR'S MANAGEMENT
DEFINITION	Maintenance of complete and comprehensive IP register.
SOURCE OF DATA	Proof of IP register and Audit findings before 31 March 2022.
METHOD OF CALCULATION/ ASSESSMENT	Score = Number of audit qualifications due to intangible assets managed by Armscor.
MEANS OF VERIFICATION	Proof of all requests received and the process/approval of IP related technologies. Auditor General.
ASSUMPTIONS	Effective management of IP-related technologies

INDICATOR TITLE	MAINTAIN A COMPLETE AND COMPREHENSIVE IP REGISTER, WHICH ENSURES THE MAINTAINANCE OF AN UNQUALIFIED AUDIT OPINION, IN RESPECT ARMSCOR AND DOD INTANGIBLE CAPITAL ASSETS UNDER ARMSCOR'S MANAGEMENT
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	Maintenance of a complete and comprehensive IP register by 31 March 2022.
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Research and Development

INDICATOR TITLE	COMMERCIALIZE ONE IP TECHNOLOGY
DEFINITION	One IP technology commercialised per financial year.
SOURCE OF DATA	Proof of IP Register
METHOD OF CALCULATION/ ASSESSMENT	Score = The total number of IP technology commercialised.
MEANS OF VERIFICATION	Proof of all IP technologies commercialised. Internal Audit
ASSUMPTIONS	Effective management of IP-related technologies.
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	31 March 2022
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Research and Development

INDICATOR TITLE	RENEW APPLICATION SYSTEMS TO IMPROVE EFFECTIVENESS AND EFFICIENCY: • APPOINTMENT OF ERP SERVICE PROVIDER
DEFINITION	The appointment of a service provider through supply chain management process to provide the ERP related amenities.
SOURCE OF DATA	Appointment contract issued to the ERP service provider.
METHOD OF CALCULATION/ ASSESSMENT	Score = The appointment date of the ERP service provider.
MEANS OF VERIFICATION	Proof of the contract awarded to the ERP service provider. Internal Audit
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	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	31 May 2021
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Corporate Support

DEFINITION	The total percentage of approved application system renewal plan implemented.
SOURCE OF DATA	The approved application system renewal plan.
METHOD OF CALCULATION/ ASSESSMENT	Score = The number of application system renewal initiatives completed.

INDICATOR TITLE	IMPLEMENTATION OF THE APPROVED APPLICATION SYSTEM RENEWAL PLAN
MEANS OF VERIFICATION	The approved application system renewal plan. Internal Audit.
ASSUMPTIONS	Renew application system to improve effectiveness and efficiency.
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	80%
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Corporate Support

INDICATOR TITLE	IMPLEMENT IT INFRASTRUCTURE RENEWAL IN LINE WITH BUSINESS CONTINUITY PLAN IN TIMES OF CRISES
DEFINITION	Measuring the implementation of the IT in infrastructure renewal in line with the Business Continuity plan.
SOURCE OF DATA	IT infrastructure renewal implemented.
METHOD OF CALCULATION/ ASSESSMENT	Score = The implementation of IT infrastructure renewal against the Business Continuity plan.
MEANS OF VERIFICATION	Proof of all IT infrastructure renewal implemented. Internal Audit.
ASSUMPTIONS	Effective implementation of IT infrastructure renewal.
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	31 March 2022
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Corporate Support

INDICATOR TITLE	IMPROVE INFORMATION SECURITY: • 80% IMPLEMENTATION OF THE APPROVED SECURITY ARCHITECTURE PLAN
DEFINITION	Measuring the improvement of the information security in Armscor through the implementation of the approved security architecture plan.
SOURCE OF DATA	The approved security architecture plan.
METHOD OF CALCULATION/ ASSESSMENT	Score = The total number of approved security architecture plan initiatives implemented.
MEANS OF VERIFICATION	The approved security architecture plan. Internal Audit.
ASSUMPTIONS	To improve information security.
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	30 June 2021.
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Corporate Support

## STRATEGIC OBJECTIVE 4: STAKEHOLDER MANAGEMENT

INDICATOR TITLE	CONDUCT INTEGRATED EMPLOYEE ENGAGEMENT SURVEY AND DETERMINE NEW BASELINE (2020)
DEFINITION	Improvement of long-lasting strategic relationships with internal stakeholders of Armscor and determining the baseline going forward.
SOURCE OF DATA	Employee engagement survey results.
METHOD OF CALCULATION/ ASSESSMENT	Score = Add up final scores of all categories and divide by total of categories to get an overall average. Divide overall average by objective to get overall average percentage.
MEANS OF VERIFICATION	Employee engagement survey results. Internal Audit.
ASSUMPTIONS	Developing and maintaining long-lasting, strategic relationships with internal stakeholders.
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	% improvement based on 2020/21 baseline.
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Corporate Support

INDICATOR TITLE	ACHIEVEMENT OF APPROVED EMPLOYMENT EQUITY PLAN THAT IS DIRECTED TOWARDS: • INCREASING BLACK REPRESENTATION.
DEFINITION	Monitor the increase in black representation in line with the approved employment equity plan of Armscor.
SOURCE OF DATA	Staff profile for permanent employees report.
METHOD OF CALCULATION/ ASSESSMENT	Score = Actual achieved divided by goal = % achieved.
MEANS OF VERIFICATION	Staff profile for permanent employees report. Internal Audit.
ASSUMPTIONS	Transformation of the Corporation, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armscor EE 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	83%
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Corporate Support

INDICATOR TITLE	ACHIEVEMENT OF APPROVED EMPLOYMENT EQUITY PLAN THAT IS DIRECTED TOWARDS: • IMPROVING FEMALE REPRESENTATION.
DEFINITION	Monitor and manage the improvement of female representation in line with the approved Employment Equity Plan.
SOURCE OF DATA	Staff profile for permanent employees report.
METHOD OF CALCULATION/ ASSESSMENT	Score = Actual achieved divided by goal = % achieved.
MEANS OF VERIFICATION	Staff profile for permanent employees report. Internal Audit.
ASSUMPTIONS	Transformation of the Corporation, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armscor EE Plan.

<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: 40% female employees 2. Target for Youth: N/A 3. Target for People with Disabilities: N/A
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A.
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	40%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer Group Executive: Corporate Support

<b>INDICATOR TITLE</b>	<b>CONTROLLABLE STAFF TURNOVER IN TECHNICAL POSITIONS, EXCLUDING RETIREMENTS (LESS THAN OR EQUAL TO 4,5%)</b>
<b>DEFINITION</b>	Monitor the incoming controllable staff in technical positions by excluding the retirements in a margin of less than or equal to 4,5%.
<b>SOURCE OF DATA</b>	Human resource report: resignations in technical categories.
<b>METHOD OF CALCULATION/ ASSESSMENT</b>	Score = Total resignations divided by total technical positions x12 / 12x100.
<b>MEANS OF VERIFICATION</b>	Human resource report: resignations in technical categories. Internal Audit.
<b>ASSUMPTIONS</b>	To monitor and ensure retention of controllable staff turnover in technical positions with the exclusion of resignations.
<b>DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)</b>	1. Target for Women: N/A 2. Target for Youth: N/A 3. Target for People with Disabilities: N/A
<b>SPATIAL TRANSFORMATION (WHERE APPLICABLE)</b>	N/A
<b>CALCULATION TYPE</b>	Cumulative.
<b>REPORTING CYCLE</b>	Annually.
<b>DESIRED PERFORMANCE</b>	≤4,5%.
<b>INDICATOR RESPONSIBILITY</b>	Chief Executive Officer Group Executive: Corporate Support

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

<b>INDICATOR TITLE</b>	<b>SKILLS DEVELOPMENT PROGRAMME: • CONTRACTING AND DEVELOPMENT OF GRADUATE AS INTERNS (TALENT DEVELOPMENT PROGRAMME) (NUMBER OF EMPLOYEES IN PROGRAMME)</b>
<b>DEFINITION</b>	Monitor and manage the skills development programme through providing the appointment and development of employees in the talent development programme.

INDICATOR TITLE	SKILLS DEVELOPMENT PROGRAMME: • CONTRACTING AND DEVELOPMENT OF GRADUATE AS INTERNS (TALENT DEVELOPMENT PROGRAMME) (NUMBER OF EMPLOYEES IN PROGRAMME)
SOURCE OF DATA	Detailed Armscor talent and development candidate list.
METHOD OF CALCULATION/ ASSESSMENT	Score = Actual number of employees on TDP divided by goal equals to percentage achieved.
MEANS OF VERIFICATION	Detailed Armscor talent and development candidate list. Internal Audit.
ASSUMPTIONS	To develop graduates through the skills development programme by appointing them in the Talent Development Programme.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A 2. Target for Youth: 30 TDPs employed per year 3. Target for People with Disabilities: N/A
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	30.
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Corporate Support

INDICATOR TITLE	SUCCESSION PLANNING DEVELOPMENT: • PERCENTAGE COMPLIANCE WITH SUCCESSION PLANNING DEVELOPMENT (KEY IDENTIFIED POSITIONS)
DEFINITION	Ensure and monitor compliance of succession planning process in Armscor through developing and mentoring potential successors identified.
SOURCE OF DATA	Memo reflecting overall performance signed by Manager: performance & succession planning; supported by Executive Manager: Human Resource.
METHOD OF CALCULATION/ ASSESSMENT	Score = Development rating divided by total successors.
MEANS OF VERIFICATION	Memo reflecting overall performance signed by Manager: performance & succession planning; supported by Executive Manager: Human Resource. Internal Audit.
ASSUMPTIONS	To ensure critical business continuity functions through the development of successors and talent management process.
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	80%
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Corporate Support

INDICATOR TITLE	TOTAL NUMBER OF PEOPLE WITH DISABILITIES
DEFINITION	To monitor the number of employees with disabilities employed by Armscor during the period under review.
SOURCE OF DATA	Detailed Armscor list of employees with disabilities.
METHOD OF CALCULATION/ ASSESSMENT	Score = Number of people with disabilities.
MEANS OF VERIFICATION	Detailed Armscor list of employees with disabilities. Internal Audit.
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 EE Plan.

INDICATOR TITLE	TOTAL NUMBER OF PEOPLE WITH DISABILITIES
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A 2. Target for Youth: N/A 3. Target for People with Disabilities: 28 people with disabilities
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	28.
INDICATOR RESPONSIBILITY	Chief Executive Officer Group Executive: Corporate Support

# Annexure E

**Table 12: AMENDMENT TO THE PERFORMANCE INDICATORS THAT ARE REFLECTED IN THE ARMSCOR CORPORATE PLAN 2020 TO 2023**

Serial No	Location of Amendment	Performance Indicator as reflected in Armscor Corporate Plan 2020 – 2023	Amendment as reflected in Armscor Corporate Plan for 2020	Remarks	Location of a amendment
1	Table 5: The Four Strategic Outputs in Armscor's Corporate Plan 2020 – 2023.	Renew application systems to improve effectiveness and efficiency: <ul style="list-style-type: none"> <li>Obtain approval of the new Enterprise Resource Planning (ERP) implementation plan from the Board of Directors.</li> </ul>	Renew application systems to improve effectiveness and efficiency: <ul style="list-style-type: none"> <li>Obtain approval of the new Enterprise Resource Planning (ERP) implementation plan from the Board of Directors</li> </ul>	The performance indicator is omitted as it is now achieved.	Table 5: The Four Strategic Outputs in Armscor's Corporate Plan 2020 – 2023
2	Table 5: The Four Strategic Initiatives in Armscor's Corporate Plan 2020 – 2023.	Renew application systems to improve effectiveness and efficiency: <ul style="list-style-type: none"> <li>Development of SCM (e-procurement, and commercial/military off-the-shelf procurement), dependant on SCM solution (forms part of the approved Annual Application System Renewal Plan)</li> </ul>	Renew application systems to improve effectiveness and efficiency: <ul style="list-style-type: none"> <li>Development of SCM (e-procurement, and commercial/military off-the-shelf procurement), dependant on SCM solution (forms part of the approved Annual Application System Renewal Plan)</li> </ul>	The performance indicator is omitted as there is no opportunity to perform	Table 5: The Four Strategic Initiatives in Armscor's Corporate Plan 2020 – 2023
3	Table 5: The Four Strategic Initiatives in Armscor's Corporate Plan 2020 – 2023.	Improve Information Security: <ul style="list-style-type: none"> <li>Approval of the IT security architecture plan.</li> </ul>	Improve Information Security: <ul style="list-style-type: none"> <li>Approval of the IT security architecture plan</li> </ul>	The performance indicator is omitted as it is now achieved.	Table 5: The Four Strategic Initiatives in Armscor's Corporate Plan 2020 – 2023

# Annexure F

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

TABLE 13: PLEDGE OF SUPPORT BY ARMSCOR TO THE DEFENCE PLAN TO ARREST THE DECLINE

Serial No	DR 2015 End State	DR 2015 Deliverables/ Output	MOD&MV Priority	Owner	Performance Indicator	2019/20 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	SANDEF	D3_01B: Percentage compliance with progress of Military Strategic Direction Register New Indicator	Submit for approval	D1 & R4	Group Executive: R&D 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, Group Executive: R&D and Senior Manager: Corporate Strategy and Planning	MTSF Priority 6 and 7
4	Promulgated Border Safeguarding Strategy	Developed	Strategic Resourcing Direction	CSANDEF (CJOps)	D3_01B: Percentage adherence to DOD governance schedule (Strategy)	Submitted for approval	D1	Group Executive: Acquisition and SCM Group Executive: R&D	MTSF Priority 6 and 7
5	Establish Cyber Warfare Capability in SANDEF	Strategy submitted for approval	Capability Sustainment Direction	CSANDEF (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
7	Support (As reflected in the DOD APP 2016: Defence Funding Model Developed)	Budgeting and Costing Tool	Strategic Resourcing direction	C Log and CMIS	D3-01A: Percentage progress with the development of the Defence Funding Model (Budgeting and Costing Tool Status)	100% (Costing Tool submitted for approval)	R4	CFO and Group Executive: R&D	MTSF Priority 6 and 7

# Annexure G

## Glossary

<b>Arm Scor</b>	Armaments Corporation of South Africa SOC (Ltd)
<b>AMD</b>	Aerospace Maritime and Defence Industries Association
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>COTS</b>	Commercial off-the-shelf
<b>COVID-19</b>	Coronavirus Disease 2019
<b>DDSI</b>	Defence Decision Support Institute
<b>DIF</b>	Defence industry Fund
<b>DIP</b>	Defence Industrial Participation
<b>DOD</b>	Department of Defence
<b>DOD APP</b>	Department of Defence: Annual Performance Plan
<b>DPME</b>	Department of Planning, Monitoring and Evaluation
<b>dti</b>	Department of Trade and Industry
<b>EE</b>	Employment Equity
<b>ERP</b>	Enterprise Resource Planning
<b>ESD</b>	Enterprise Supplier Development
<b>Flamengro</b>	Fluid and Mechanical Engineering Group
<b>FOSAD</b>	Forum of South African Directors-General
<b>GDA</b>	General Defence Accounts

<b>HR</b>	Human Resources
<b>IP</b>	Intellectual Property
<b>ICT</b>	Information and Communication Technology
<b>IT</b>	Information Technology
<b>IMT</b>	Institute for Maritime Technology
<b>MoA</b>	Memorandum of Agreement
<b>MTSF</b>	Medium-Term Strategic Framework
<b>NDP</b>	National Development Plan, Vision 2030
<b>PFMA</b>	Public Finance Management Act (Act No 1 of 1999)
<b>R&amp;D</b>	Research and Development
<b>Ret.</b>	Retired
<b>SADI</b>	South African Defence Industry
<b>SANDF</b>	South African National Defence Force
<b>SDA</b>	Special Defence Account
<b>SDIP</b>	Service Delivery Improvement Plan
<b>SLA</b>	Service Level Agreement
<b>SMMEs</b>	Small, Medium, and Micro-sized Enterprises
<b>SOC</b>	State Owned Company
<b>SONA</b>	State of the Nation Address
<b>TDP</b>	Talent Development Programme





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

**CONTACT DETAILS:**  
Corporate Communication division  
Private Bag X337, Pretoria, 0001,  
Republic of South Africa  
T +27 (0) 12 428 1911  
E [info@armscor.co.za](mailto:info@armscor.co.za)

[www.armscor.co.za](http://www.armscor.co.za)

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