

**MINISTRY OF DEFENCE & MILITARY VETERANS**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**2352. Mr S J F Marais (DA) to ask the Minister of Defence and Military Veterans:**

(1) With reference to the 2015-16 annual report of the Armaments Corporation of South Africa (Armscor), why did the payments to executive directors increase by 8,04% while revenue decreased by 7,6% and expenditure increased by 13.1%;

(2) whether each (a) executive director and/or (b) management official of Armscor signed a performance agreement with her for the (i) 2015-16 and (ii) 2016-17 financial years; if not, in each case, why not; if so, what (aa) are the relevant details and (bb) criteria are used to determine yearly (aaa) increases and/or (bbb) bonuses to the specified officials? NW2687E

**RESPONSE**

(1) The payments to executive directors for the financial year ending 31 March 2016 included the once-off buy out of the future medical liability which were not included in the period ending 31 March 2015 and this result in the increase over and above the annual increase. This settlement of the future medical liability as negotiated with the employees and retirees of Armscor reduced the future liability for medical contributions after retirement significantly.

The biggest contributor to the decrease in the total revenue of Armscor was the decrease of the allocation to Armscor that is in accordance to the National Treasury baseline reduction. The increase in expenditure furthermore is mainly influenced by the recognition of actuarial losses on the medical liability buy-out that is a result of the settlement of the liability. If the impact thereof is excluded the operating expenditure increased with only 2.3%.

(2) All Armscor employees (including management) have an agreed Balanced Scorecard (BSC) that contains the individual’s performance criteria to be achieved. This is an annual process and it cascades down from the executive management which BSC’s are based on the goals and objectives that is contained in the Corporate Plan. Armscor only consider the payment of a performance bonus if the goals as set in the Corporate Plan are achieved (as agreed) and the funding is available. Individual performance bonuses are then based on a combination of the company achievement and the achievement of the individual’s performance criteria.

Annual increases are informed by market surveys and affordability. The increase also takes into consideration the agreement reached with Organised Labour. In this regard, the executive and senior management receive the same or lower increase percentage – as has been the case over the past few years - than members forming part of the bargaining unit as represented by Organised Labour.