



DEFENCE SECTOR CHARTER

Presentation to NDIC

19 May 2017

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GATEWAY TO DEFENCE SOLUTIONS

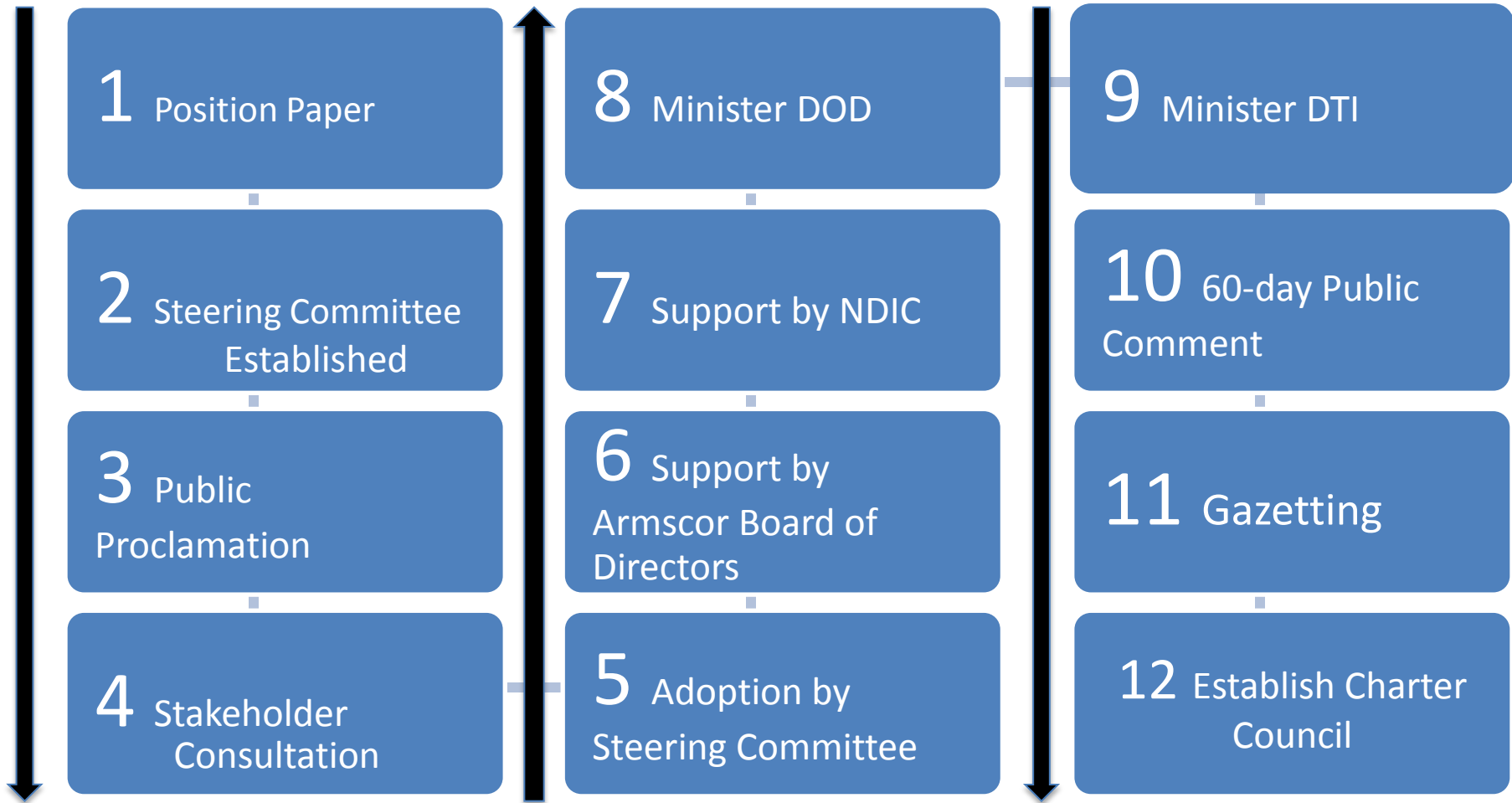
SCOPE



1. The rationale
2. Process
3. New requirements introduced by the Charter
4. Unique features
5. Charter Council establishment
6. Challenges

- The nature of the Industry requires a different approach and generic charters are not appropriate
- Framework for meaningful & sustainable economic transformation & growth of SADI
- Partnership with the stakeholders
- Particular focus on ‘defence scarce skills’
- Mechanism to promote localization
- Recognition of Military Veterans

CHARTER PROCESS



NEW TARGETS INTRODUCED



OWNERSHIP

- **The ownership targets are:**

- 25% in the first year
- 30% in the second year
- 35% in the third year

- **Black female ownership**

- 10% in first year
- 15% in the second & third year

• **3 points** Black designated groups, including Military Veterans

- Black ownership not recognised after sale or loss of equity of a black shareholder (no ‘once empowered always empowered’)
- Terms of the Trusts / Broad-based schemes must not circumvent provisions of the Defence Sector Code but must allow inclusive economic participation

- **Boards**

- Must be at least 50% Black increasing to 60% on 3rd anniversary
- Must be at least 25% Black female increasing to 30% on 3rd anniversary
- 30% Voting Rights of Black Military Veterans

- **Executive Management**

- Must be at least 60% Black
- Must be at least 30% Black female

SKILLS DEVELOPMENT



- Target 4% of annual payroll on skills development
- Contribute 1% of annual payroll to Skills Development Programmes for Military Veterans
- Contribute 1% of annual payroll to Defence Industry Skills Development Fund
- Create and maintain scarce and critical skills in the defence industry (especially in relation to sovereign and strategic capabilities)

ENTERPRISE & SUPPLIER DEVELOPMENT



- Preferential set asides of the total procurement budget for black Exempted Micro Enterprises and Qualifying Small Enterprises
 - 30% in the first year
 - 35% in the second year
 - 40% in the third year
- Set up a Defence Industry Enterprise and Supplier Development Fund
 - Fund Enterprise and Supplier Development initiatives in the defence industry

LOCALISATION



- Defence industry specific element designed to stimulate local manufacturing and increase global competitiveness.
- Procuring 60% of defence matériel products and services from local suppliers
- Rewarding local companies that introduce new technology in the defence industry

- Inclusion of Military Veterans as specific beneficiaries

TURNOVER THRESHOLD



- Threshold for Emerging Micro Enterprises has been lowered to R5 million

- Private sector entities in the defence industry must sub-contract not less than 30% of any contract exceeding R30 million to:
 - Black owned Emerging Micro Enterprises s or Qualifying Small Enterprises
 - Black youth owned enterprises
 - Black Military Veterans owned enterprises

UNIQUE FEATURES



- Military Veterans
- Localisation
- Set-asides
- Lower threshold for EMEs
- Skills Development Fund
- ESD Fund
- No 'once empowered always empowered principle'

- Appointment of members by MOD
- Manage both the Skills Development Fund and Enterprise and Supplier Development Fund
- Monitor the implementation of the Charter
- Measure effectiveness of charter implementation
- Consider & decide requests on application of the charter
- Reporting to the NDIC and MOD

CHALLENGES



- Solidarity - wish to retain 'once empowered always empowered principle'
- Military Veteran definition