



## DEFENCE SECTOR CODE PRESENTATION

14 NOVEMBER 2019

GATEWAY TO DEFENCE SOLUTIONS

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# Application



- ✓ **The Sector code is legally binding on all Entities in the SADI, including national or provincial departments, Organs of State, Public Entities, private enterprises providing Defence Materiel and or other supplies products and services to the DoD or Its agencies.**

# Elements of the Defence Sector Code



**There are six elements**

- ✓ **Ownership**
- ✓ **Management Control**
- ✓ **Skills Development**
- ✓ **Enterprise and Supplier Development**
- ✓ **Localisation**
- ✓ **Socio- Economic Development**

**The priority elements are as follows:**

- ✓ **Ownership**
- ✓ **Skills Development**
- ✓ **Enterprise and Supplier Development**

# Compliance with Priority Elements



- ✓ **A large enterprise is required to comply with all the Priority Elements**
- ✓ **A QSE is required to comply with Ownership as a compulsory element and either Skills Development or Enterprise and Supplier Development.**

# The Defence Sector Score Card



- ✓ **The Ownership** - effective ownership of Entities by Black people.
- ✓ **Management Control** – the effective control of entities by black people
- ✓ **The Skills Development** - the extent to which employers carry initiatives designed to develop the competencies of Black employees and Black people internally and externally.
- ✓ **The Enterprise and Supplier Development** – the extend to with Entity buys goods and services from Empowering Suppliers preferably between level 1 and level 4 B-BBEE recognition levels
- ✓ **Localisation** – the extent to which Entities procure Defence Material from Local Enterprises that contribute to the development of manufacturing and new locally developed technology
- ✓ **The Socio-Economic Development** – the extent to witch Entities carry out initiatives that contribute towards Socio-Economic Development .

# The Defence Sector Score Card



- ✓ **Ownership 25 Points**
- ✓ **Management Control 15 Points**
- ✓ **Skills Development 20 Points**
- ✓ **Enterprise and Supplier Development 40 Points**
- ✓ **Localisation 10 Points**
- ✓ **Socio-Economic Development 5 Points**

**Total 115**

# NEW TARGETS INTRODUCED



## OWNERSHIP

**Meaningful ownership by black people of an Economic Interest in Enterprises including Voting Rights and be entitled to receive economic benefits arising from such economic interest.**

**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

**Black designated groups, including Military Veterans**

- ✓ 3%



The objective of management control is that Black people should be actively involved in making **strategic decisions**, proportionate to their Economic Interest in the Board of directors of the Measured Entity and in the **various levels of management**.

## BOARDS

**Large Measured Entities commit to achieve the following targets**

- ✓ 50% Black representation within the first year of the promulgation of the sector code inverting to 60% by the 3<sup>rd</sup> anniversary.
- ✓ 25% Black female within the first year increasing to 30% by the 3<sup>rd</sup> anniversary
- ✓ **30% Voting Rights of Black Military Veterans**

## EXECUTIVE MANAGEMENT

- ✓ Must be at least 60% Black executive directors
- ✓ Must be at least 30% Black female executive directors

Skills Development Initiatives must focus on **Scare Skills** including those related to the generation and development of knowledge that could be deployed to increase the participation of black persons in the **expansion of Strategic Enterprises** and **retention of Sovereign Capabilities** in the SADI.

- ✓ Target 6% of annual payroll on skills development for Black persons

**The aim of Enterprise and Supplier Development programmes is to:**

- ✓ **Strengthen local procurement order to build South Africa's Industrial base.**
- ✓ **To increase local procurement through capacity building achieved by incentivising appropriate local supplier development programs; and**
- ✓ **To actively support procurement from Black Owned QSEs and EMEs**

**Public Entities and Organs of State are entitled to require that Measured Entities doing business with it, sub-contract a minimum of 30% of the contract value to entities that are at least 51% Black owned.**

**Private Sector enterprises must, in instances where feasible sub-contract not less 30% of any contract exceeding R 30 Million to EME owned by black people/black military veterans/young black people**

Defence industry specific element designed to stimulate local manufacturing and increase global competitiveness.

- ✓ Stakeholder commit to **procure at least 60%** of Defence Material from Local Enterprises
- ✓ Provide **support** for and procurement from local enterprises that manufacture defence material in South Africa
- ✓ Provide support for Local Enterprises that introduce new locally developed technology that is not older than 24 months in the SADI

In the event that it is not practically achievable to procure 60% of Defence Material from Local Enterprises , the entity must submit a written request for exemption from Armscor or DoD as may be applicable.

**Socio-Economic Development Contributions consist of monetary or non monetary contributions actually initiated and implemented in favour of beneficiaries by a Measured Entity with the specific objective of facilitating income generating activities for targeted beneficiaries.**

- ✓ **Target for measured entities is to contribute 0.5% of the NPAT to Black Military Veterans.**

# Defence Industry Fund



- ✓ Stakeholders to set up Defence Industry Enterprise and Supplier Development Fund
- ✓ All measured entities with the exception of Exempted Micro Enterprises must contribute 1% of Net Profit After Tax to the fund

A charter Council is established to oversee and monitor the implementation of the Sector Code.

- ✓ **Manage Enterprise and Supplier Development Fund**
- ✓ **Monitor the implementation of the Defence Sector Code**
- ✓ **Measure effectiveness of the Code implementation**
- ✓ **Provide guidance on application of the Code**
- ✓ **Reporting to NDIC and MOD**

# UNIQUE FEATURES



- ✓ **Military Veterans**
- ✓ **Localisation**
- ✓ **Targeted Procurement**
- ✓ **ESD Fund**



# Questions and Answers



**Thank you.**