

The **DIP** Threshold of USD2 million for application of 50% **DIP** is determined in any of the following manners:

**6.1 Foreign Prime Contractor**

- The **IMPORTED CONTENT** of the Contract/order value, i.e. excluding **LOCAL CONTENT**, is equal to, or above USD2 million.
- Aggregate value of increases to the **IMPORTED CONTENT** of the contract/order as a result of amendments to the contract/order is equal to, or above USD2 million;
- Aggregate value of the **IMPORTED CONTENT** of additional, future contracts/orders for same or similar products/services related to the original contract, within two years of completion of the original contract, equal to, or above USD2 million.

**NOTE:** For the purposes of determining the **DIP** Obligation, **LOCALLY BASED COMPANIES** (as defined in 2.18 above), are considered to be Foreign Prime Contractors.

**6.2 Local Prime Contractor with Foreign Sub-contractors**

- The **IMPORTED CONTENT** of any single foreign sub-contract equal to, or above USD2 million;
- Aggregate value of the **IMPORTED CONTENT** of Multiple sub-contracts to different sub-contractors for same or similar products/services, equal to, or above USD2 million;
- Aggregate value of the **IMPORTED CONTENT** of increases to either of the above as a result of amendments to the sub-contracts equal to, or above USD2 million;
- Aggregate value of the **IMPORTED CONTENT** of additional, future orders (either through sub-contracting, or directly) for same or similar



products/services related to the original contract, within two years of completion of the original contract, equal to, or above USD2 million.

**6.3 Local Suppliers/Agents of Foreign Items**

Where a **LOCAL COMPANY** is itself a supplier or agent for supplying foreign items, or sources such foreign items from other local suppliers/agents, the **IMPORTED CONTENT** of such items will be taken into account to determine the **DIP** obligation.

**NOTE:** Armscor reserves the right to verify any information in this regard by means of an audit.

**7. ACHIEVEMENT OF DIP OBLIGATION**

7.1 In the case of a Foreign Prime, the **DIP** Agreement will be concluded with the Foreign Prime, but in the case of a Local Prime the **DIP** Agreement will be concluded with either the Local Prime, or the Foreign Sub-contractor/s at the discretion of Armscor.

7.2 All **DIP** activities will be of a Defence-related nature and will be directed exclusively at Defence-related companies, regardless of whether the **MAIN AGREEMENT** relates to commercial equipment and products.

7.3 When presenting **DIP** Business Plans, the choice of **DIP BENEFICIARIES** is the sole responsibility of the **SELLER** and Armscor shall carry no risk in relation to such **DIP BENEFICIARIES**.

**7.4 DIP Categories and Activity Types**

The obligation can be achieved through either Direct (Activities directly related to the **MAIN AGREEMENT**) or Indirect (Other goods & services) **DIP**.

The followings activities or a combination thereof will be considered for the