

## **Instruction for pre-approval applications**

In order to streamline the pre-approval process for development projects between foreign suppliers of military products and services and Danish defence industrial companies, applicants are advised to read these instructions before filling out the templates and spreadsheets found on the DBA website. Please note that all requests for pre-approval should be based on the DBA template and spreadsheet.

The instruction guides you through the template and spreadsheet and draws attention to the type of information needed in relation to projects that relate to ICCs, which are signed under the administrative guidelines of 9<sup>th</sup> of September 2021.

Please note that the examples in the instruction are only indicative. Additional information might be needed. In general, the applicants are asked to add extra information if in doubt. In case the DBA requires additional information in order to process the request for pre-approval, the foreign supplier and/or the Danish company will be contacted directly.

## **Project description template (MS Word)**

### ***0. Formalities***

#### Name of project

Please state an instructive name for the project that is non-technical.

#### Request date

Date of submittal to the DBA. The formal pre-approval process does not start until the template and spreadsheet is formally submitted to DBA via email or mail services to the relevant case worker.

#### ICC case ref.

The ICC's case ref. is found in the upper right corner of page 1 in the ICC. The ICC case ref. is used to identify the relevant case in DBA's case handling system.

Product/service in ICC

The name of the product or service is found under article 1 of the relevant ICC. The name of the product or service is used to identify the relevant ICC.

Confirmation from the CEO of Danish company

When sending the request for pre-approval, the applicant should attach a confirmation from the CEO of the involved company in Denmark which states that the company in Denmark is committed to and accepts the details of the development project, cf. article 7.1 in the ICC.

Information from the Danish company regarding civil sector products

If the Danish company operates exclusively within the military sector, please attach a statement by the CEO of the Danish company stating this when sending the request for pre-approval.

If the Danish company produces civil sector products, the DBA will make an assessment of competitiveness as described in article 7 of the ICC. The Danish company must send the following information to the DBA in parallel with the pre-approval request:

1. The percentage of military turnover out of the total turnover in the Danish company
2. The estimated profit margin in relation to the project
3. The number of civil sector products in the Danish company's product portfolio
4. Any convergence between the project domain and one or more of the Danish company's civil sector products, if relevant;
5. The civilian product's converging share of the company's total turnover

The information is to be provided by the Danish company directly to the DBA using DBA's template.

***1. Introduction to the project***

This section should give a clear overview of the project in question, including the product or service to be developed, the activities taking place in the project, the objectives and success criteria, and the competencies and responsibilities of both the foreign supplier and the Danish company in each phase. Applying a layman terminology, please outline the challenges that the project will address, and the intended use of the product/service developed in the project.

***2. Scope of the relevant ICC***

The applicant is asked to argue why the project is believed to be within the scope of the relevant ICC, i.e.:

- That the project concerns defence equipment following the definition under EU law (directive 2009/81 / EU's Common Military List)

- That the project is related to the acquisition or corresponding defence equipment.
- That the project is related to the relevant domain described in article 6.3 of the ICC.
- The project can pass an assessment of competitiveness described in article 7 of the ICC

When evaluating whether a project is within the scope of the relevant ICC, the DBA will take the arguments from the applicant as its starting point. If in doubt about the validity of these arguments, the DBA may consult the Ministry of Defence.

### ***3. Product/service in scope***

This section should outline in detail the product/service to be developed along with any relevant visuals or graphic illustrations. Please also outline any relevant technical standards, certifications, STANAG, etc. needed. Please also note the expected TRL of the product/service.

### ***4. Business model for the Danish company***

This section should describe the basic commercial relation in the co-operation between the foreign supplier and the Danish company. How will the project position the Danish company in the supply chain of the foreign supplier? Will the Danish company be supplying the final customer directly with its own products/services? The template lists eight archetypical business relations and DBA asks for the project parties to choose one or more of these archetypes and expand the argument. This section should also describe the business model for the Danish company, the expected sales channels, customers, and markets.

### ***5. Project phases, transfers and IP***

This section should outline the project and all its phases through development and testing to the production stage. All transfers to the Danish company should be described in relation to the aim of the project. The section should also include a description of the IP aspects of the project and if any transfers of IP between the project parties take place (IP rights fully or partially, licensing agreements, right to usage or similar). Specifically, the DBA requires a complete description of the issue of IP in relation to the transfers of technology and/or unique know-how from the foreign supplier to the Danish company. Finally, the section should include a description of any legal or commercial restrictions on the Danish company in relation to the project.

### ***6. Forecasted follow-on sales***

This section should include a forecast for the follow-on sales volume of products/services related to the project for the Danish company. Please provide a forecast covering a ten-year period (or until the expiration of the relevant ICC) on the market for the product/service developed in the

project. Please divide the follow-on sales forecast into expected sales per year.<sup>1</sup>

#### *6.1 Milestone bonus*

The DBA may attach a milestone bonus of 100% of the completed follow-on sales target defined by the foreign supplier. These follow-on sales can go directly from the Danish company to the ICC holder or any third party. The milestone target shall be reached within a 10-year period (or until the expiration of the relevant ICC).

The foreign supplier shall define a follow-on sales target for the milestone bonus in the project application.

#### *6.2 Contingent release of credits pertained to transfer of technology*

In certain circumstances, the DBA may apply a method of contingent release of credits pertained to the technology transfer, based on the achievement of pre-approved follow-on sales targets or milestones in the project development phase.

### **Spreadsheet with business case (MS Excel)**

#### ***0. Formalities***

##### Project parties

Please list the names of the project parties involved.

##### Name of project

Please state an instructive name for the project that is non-technical.

##### ICC case ref.

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#### ***1. Phases***

Development projects can be organized in many different ways depending on the nature of the project. A typical set-up involves one or more development phases followed by a serial supply phase where the Danish company sells the developed product to the applicant company or third parties.

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<sup>1</sup> Please note that DBA's case handling of the request for pre-approval of the industrial co-operation project has no bearing to any subsequent applications for export control permits under the Danish export control legislation. An export control permit shall be applied for at the competent Danish authority in a separate procedure.

## **2. Activities**

The applicant is asked to describe each activity in such detail that it will be possible for the DBA to assess the nature of the activity and attribute the correct multiplier. When in doubt about the needed level of detail, please add extra information. Each project element must fall within one of the following four categories (please specify what category in column D of the spread sheet template). The examples below show some of the information to be included:

- Transfer of technology: What is being transferred? How is the technology transferred in practical terms? Details about ownership/IP rights and if export authorisation is needed.
- Funding: Description of the activity or items being funded and how it is used in the project.
- Advisory services: Description of the service and its relevance for the project. How is the service provided? By whom? Where?
- Making facilities available: What is being made available? Description of the activity and its relevance for the project? Where does it take place?

## **3. Method of valuation**

For each element, please describe the method of valuation in column E of the spread sheet template.

- Transfer of technology: The DBA values the transferred technology based on the relief from royalty-method. The valuation is based on the estimated follow-on sales generated by the project within a 10-year period applying a relief-from-royalty discounting method.
- Funding: Base value of the transfer.
- Advisory services: Number of man hours, time period, cost-definition applied. Please break down the total hourly cost into the various cost components included.
- Making facilities available: Market value of the facility made available for free, opportunity costs for the applicant of not having access to the facilities made available to the Danish recipient company, etc.

## **4. Milestones**

Please list the milestone that shows that the individual activity is considered to be completed. E.g. 'workshop completed' or 'completion of technology transfer'.

**5. Date of activity**

This column should contain the expected timeline for the activities. The following approach can be used: 'Project start + 3 month', 'Project start + 6 month' etc. Specific dates are not requested. Rather DBA requires a timeline linked to project start.

Please note that the time frame of the project will form the basis of the DBA pre-approval.

**6. Cost**

This column represents the net cost of the activity before multipliers are applied. Please take note that as for the transfer of technology in development projects, DBA uses a fixed procedure for assessing the value of the technology based on the relief-from-royalty method. The valuation is based on the estimated follow-on sales generated by the project within a 10-year period.

**7. Remarks**

Any additional remarks to the individual activity can be included in this column.

**8. Requested multiplier**

Adding multipliers to a project is a prerogative of the DBA and will be done by evaluating the project activities in light of the administrative guidelines. As a starting point, however, the applicant is asked to suggest multipliers for the individual activities. The multipliers have to be within the limits set forth in the administrative guidelines. Please note that the multiplier levels are considered a maximum. Additional information of the different multiplier levels, as well as the details reg. the milestone bonus, contingent release, etc. can be found on DBA's website.

**9. Offset value**

This column represents the offset credit value of the activity. Please take note that as for the transfer of technology in development projects, DBA uses a fixed procedure for assessing the value of the technology based on the relief-from-royalty method. The valuation is based on the estimated follow-on sales generated by the project within a 10-year period.