

Company of the Year Award

The IT Services Industry SOUTH AFRICA



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Letter of Congratulations

We are proud to present you with this year's award for Company of the Year in the IT Services industry.

Frost & Sullivan has a global team of analysts and consultants continuously researching a wide range of markets across multiple sectors and geographies. As part of this ongoing research, we identify companies that are true industry leaders, delivering best practices in growth, innovation, and leadership. These companies have a keen eye to the future, and drive innovation that meets future needs before they become commonly visible, thereby often being first to market with new solutions. They focus on delivering the best products at optimal prices to maximize customer value and customer experience, and by doing so are growth leaders in their respective industries. Identifying such companies involves extensive primary and secondary research across the entire value chain of specific products and/or markets. Against the backdrop of this research, we are pleased to recognize T-Systems as the Company of the Year in the IT Services Market.

To deliver excellence worthy of the Company of the Year recognition is never an easy task, but it is one made even more difficult due to today's competitive intensity, customer volatility, and economic uncertainty—not to mention the difficulty of innovating in an environment of escalating challenges to intellectual property. Within this context, your receipt of this award signifies an even greater accomplishment.

Moreover, we recognize that your receipt of this award is the result of many individuals (employees, customers, and investors) making daily choices to believe in the organization and contribute in a meaningful way to its future. We believe that such an achievement should be acknowledged and celebrated.

We hope you use this award as a platform for strengthening your brand, building awareness among new and existing customers, and inspiring your team to even greater levels of performance.

Once again, we congratulate you on your achievements and wish you great success in the future. We are here to support you on any future endeavors.

Sincerely yours,



David Frigstad
Chairman
Frost & Sullivan

Background and Company Performance

Industry Challenges

Enterprises across a growing number of verticals are embracing the move towards a digital future, in order to enhance their operational efficiency and boost their revenues. With the increasing use of disruptive technologies such as cloud computing, big data, social media and machine-to-machine (M2M), Information Technology (IT) service providers are well-positioned to enable the transition. However, the convergence of different sectors and technologies is creating greater complexity in the IT services market. Moreover, service providers are facing increasing competition due to the entry of over-the-top (OTT) players and traditional telecoms providers in the market. Adopting a customer-centric approach and developing innovative solutions will be critical for IT service providers to differentiate themselves from competitors.

A challenge that South African enterprises are facing is a shortage of skills that is necessary to deliver some of the technically more advanced complex technologies such as cloud computing. Fostering and internalising a culture of innovative thinking and service delivery can also be challenging particularly for large enterprises.

In addition, enterprises are still reluctant to leave the management of large parts of their IT applications in the hands of external parties. This is due to concerns over the security of outsourcing models such as cloud computing. It is also a result of large enterprises in particular preferring to keep the control and management of some applications. It is therefore on the onus of IT service providers to demonstrate the value proposition of outsourcing relevant IT applications. This will require remaining cognisant of the unique attributes of each sector and the strategies of their customers.

Large enterprises are often confronted by the need to maintain a balance between corporate governance objectives that are competing for the allocation of resources. While there is a growing expectation on them to incorporate social responsibility objectives in their strategies, one of the main responsibilities continues to be for them to remain economically viable as a going concern. This is especially prevalent in South Africa, which though an attractive investment destination for foreign companies, is still facing socio-economic challenges such as unskilled labour and limited access to quality education. It is therefore critical that an enterprise be able to integrate corporate citizenship into their business operations in order to remain socially responsible while still creating value to shareholders.

Visionary Innovation & Performance and Customer Impact of T-Systems

T-Systems is one of the leading providers of ICT operations and systems integration services in South Africa. The company has built its strategy around three core values, designed to not only drive customer value but also embrace corporate social responsibility. These values include, ensuring the highest reliability of service levels for customers, creating a culture of innovation to drive its service offerings and active involvement in driving transformation in South Africa.

Total Customer Experience

T-Systems South Africa has established its reputation on providing a superior set of ICT solutions, particularly in the data centre and enterprise resource planning (ERP) markets. The company also has a history of providing IT outsourcing and SAP services for some of South Africa's leading enterprises. These customers span a range of sectors including, transportation, utilities and financial services. To date, T-Systems still has the largest recorded IT outsourcing deal in South Africa with one of the biggest local financial services companies.

Being part of the German-based Deutsche Telekom Group, T-Systems South Africa has access to the parent company's centralized market and competitive intelligence. Moreover, the company is also able to leverage the group's expertise and experience. As a result, T-Systems is well-placed to leverage the international best practices and adapt them to the local market. This has seen T-Systems credited with a number of first-in-market practices and solutions in South Africa. For example, T-Systems is considered the first service provider to offer a cloud-based service for SAP solutions in the local market. The Dynamic Services for SAP, which is a hosted SAP offering is designed to help enterprises to reduce their SAP operating costs.

Service Experience

The growing reputation of T-Systems in the South African market is also attributed to its customer-centric approach to product development and service delivery. There is an open communication line between the company and its customers with regular and consistent reporting process to clients throughout the delivery process. As a result, customers are kept abreast of key developments over the different stages of solution implementation and software upgrades.

T-Systems drives four main quality initiatives to ensure "Zero Downtime".

The Zero Outage quality initiative has been focused on driving processes to ensure that when occasional failures and outages occur, T-Systems employees are prepared to handle these outages effectively. This is supported by a training and certification program to reinforce a Zero Outage mindset, focussing employees to constantly think of new ways to

reduce the time to repair outages and improve processes to prevent recurrences in future. The Zero Outage Supplier Certification programme complements the Zero Outage initiative by ensuring quality across the value chain.

The Zero Deviation quality initiative ensures that projects run according to the agreed timelines, cost and quality levels contracted with the customers. Any potential deviations are addressed before it arises.

The Intensive Quality Care initiative facilitates the remediation of escalated environments in collaboration with Customers to agreed service levels within the shortest possible timeframe.

The risk-management methodology implemented by T-Systems is called the Construction Map, and is used to identify and proactively address risks in the Customer environments that are supported by T-Systems.

To complement these quality initiatives, T-Systems provides a communication platform for customers to provide feedback on the company's services. This allows the company to have closer engagement with its customer and to develop a better insight into their needs, thereby minimizing the incidence of dissatisfied customers. The renewal of the majority of T-Systems' outsourcing contracts, is testament to a high overall customer satisfaction level.

Pioneering Best Practices

Technology underpins any organisation's ability to differentiate themselves in their markets, providing them with the ability to do things better, faster and more efficiently. Digitalization is continuing relentlessly. It is shaking up the market – creating opportunities for ICT providers.

T-Systems considers innovation as one of the cornerstones of its service offerings and company culture, and uses it as a key differentiator to enable digital transformation. The company achieves this by leveraging T-Systems International's cutting-edge solutions and by internalising innovative thinking in the local context. This has seen T-Systems establish the T-Systems Innovation Factory in collaboration with The Innovation Hub and the Maxum Business Incubator. The Innovation Factory, also a variant of T-Systems International's Innovation Centre in Munich, will lead the way towards the next wave of innovation. With hot-desking solutions, boardrooms and a collaboration space, the facility was designed to cultivate innovation and collaboration between the company, its customers and leading experts in the market.

T-Systems also acquired Intervate, a specialist provider of Enterprise Information Management (EIM) solutions that assist organisations with improving productivity and collaboration, reducing costs and increasing compliancy.

Ranking among the top providers of cloud computing services, T-Systems has played an important role in the move towards digitalization for some of South Africa's leading enterprises. ICT is a dynamic environment that is constantly changing. Emerging technologies such as cloud computing, big data, collaboration and mobility help customers achieve closer proximity to their customers and workforce - something T-Systems calls Zero Distance. Zero Distance is all about providing solutions that address consumer pain points, which will ensure operational efficiency and boost revenues.

Product Value

T-Systems transform businesses through innovation and by embracing emerging technologies and using ICT solutions to drive a competitive edge. This is based on establishing a stable ICT environment, whether it is through people or processes deployed. Once stability is achieved the company leverages its resources as a multinational to provide innovative solutions for its local customers. T-Systems has developed a standardised portfolio of data centre, collaboration and end-user services, and gradually migrates enterprises' processes within this environment. As a result, when cloud and big data services become more mature and ready for use by enterprises, T-Systems is then to transform the environment to support the services.

T-Systems' approach in the market is to become more of a partner to its customers by providing dynamic high-performing ICT. One of T-Systems' key strengths is in having shared platforms over which services are provided, referred to as platform based services, and then having a different journey with each customer based on their specific needs. By having the skills across mobility, big data and cloud, T-Systems can have a complete journey with its customers that is not limited to one segment of the market. This has allowed T-Systems to become an end-to-end solutions provider by being able to help its customers transform their ICT by gradually migrating from legacy systems to dynamic high-performing ICT.

Aspiration Needs

Beyond the profit-driven objectives and maximizing investor value, T-Systems has demonstrated a willingness to embrace a more powerful ideal of bringing greater value to customers and the country. Aligned with the National Development Plan, T-Systems contribute to the greater South Africa through skills development, localisation and job creation.

This has been demonstrated in the company's participation in South Africa's transformation objectives, by leveraging its own ICT capabilities. A long-standing investment in the ICT Academy and the T-Systems Learnership programme shows their

commitment and passion for skills development within the ICT sector. Since it was founded in 2003, T-Systems has donated R3.5 million annually to the Academy. The Academy has produced more than 1 502 internationally certified IT graduates, achieved a 95% pass rate as well as an employment rate of 85%. The T-Systems Internship Programme has provided opportunities to more than 350 interns with a full time employment opportunities offered to 90% of these interns.

The company has been actively involved in community upliftment initiatives geared towards bridging the digital divide in some of the country's less economically developed regions. In 2014, T-Systems donated 38 laptops equipped with software to 19 Non-Governmental Organizations (NGO) in the Emalahleni area. Other initiatives include a R2.6 million cash injection in the Hazyview Digital Learning Centre in 2013, following the initial R3.6 million investment to establish the centre in 2012.

T-Systems' approach to social investment extends beyond purely donating equipment and funding. Their Enterprise Supplier Development model is based on an empowerment approach designed to make it operationally sustainable.

In 2013, T-Systems effectively launched the first phase of the Enterprise Supplier Development (ESD) initiative in Mpumalanga, by partnering with IT services provider Nkgwete IT Solutions, a majority black-owned company. The program was introduced with the primary objective of creating the platform to contribute to economic growth, through skills development and job creation in the ICT sector. As part of the partnership, T-Systems outsourced its Mpumalanga field services to Nkgwete IT Solutions.

The company was selected following a rigorous tender process, based on its ability to meet the set service levels, quality of solution design and ability to create cost-saving. Through the partnership, T-Systems was able to simultaneously save on costs through outsourcing while contributing to skills development in the area by localising the service support. This was the first in the line of such partnerships planned by T-Systems, with another four planned in the near future. The initiative follows T-Systems' "make-or-buy" strategy, which entails deciding which services in the value chain to outsource and which to keep in-house.

Unmet Needs

The inclination for most enterprises with a global footprint is to simply replicate the strategies and product focus that have contributed to the success of overseas-based operations in the group. This can leave the local operation open to the risk of providing services that follow international best practices, and not fully address the needs of the local market. If implemented with disregard of local conditions, ICT can create greater complexity and fail to deliver on business objectives. T-Systems South Africa has been set-up to leverage the resources of other operations in the group, without losing sight of the specific needs of the South African market. The company has been able to maintain a local relevance in its understanding of the market, by keeping a predominantly South

African workforce that has a better insight of the local market. Despite Deutsche Telekom holding a majority shareholding in T-Systems South Africa, an estimated 97% of the company's employees are South African.

This forms a part of one of the company's core values, designed to ensure the company adapts to its local environment, in terms of culture and enterprises. The company uses in-depth customer requirement and needs analysis to gain a deeper insight of the local business environment. This is also instrumental in the company ability to provide more tailored, non-generic solutions across industries and enterprises.

Conclusion

T-Systems South Africa is the recipient of the Frost & Sullivan Company of the Year Award in the IT industry for exhibiting best practices for IT services, including cloud computing, managed services and SAP solutions. T-Systems has been able to establish a reputation as an innovative provider of ICT services by leveraging the expertise and competitive intelligence of T-Systems team in Germany in order to provide leading edge solutions, particularly in the SAP market. However, 97% of the company's workforce is South African, allowing it to maintain a local focus in its strategy. Beyond pursuing commercial success, T-Systems has looked to make a significant contribution to growth in South Africa through its corporate social responsibility initiatives. Some of its initiatives include the ICT Academy and the Hazyview Digital Learning Centre Enterprise Supplier Development (ESD) in Mpumalanga which are designed for capacity building in some of South Africa's less-developed regions.

T-Systems' ambition is to become the preferred ICT partner to their customer, which demands the delivery of more than just excellent service. T-Systems embraces transformation and through a continued focus on sustainable development across all areas of their business and within communities they serve, they have the opportunity to become a significant organisation in South Africa.

Significance of Company of the Year

To win the Company of the Year award (i.e., to be recognized as a leader not only in your industry, but among your non-industry peers as well) requires a company to demonstrate excellence in growth, innovation, and leadership. This kind of excellence typically translates into superior performance in three key areas: demand generation, brand development, and competitive positioning. These areas serve as the foundation of a company's future success and prepare it to deliver on the two criteria that define the Company of the Year Award (Visionary Innovation & Performance and Customer Impact). This concept is explored further below.



Understanding Company of the Year

As discussed above, driving demand, brand strength, and competitive differentiation all play a critical role in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on visionary innovation to enhance customer value and impact.

Key Benchmarking Criteria

For the Company of the Year Award, we evaluated two key factors—Visionary Innovation & Performance and Customer Impact—according to the criteria identified below.

Visionary Innovation & Performance

- Criterion 1: Addressing Unmet Needs
- Criterion 2: Visionary Scenarios Through Mega Trends
- Criterion 3: Implementation Best Practices
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Financial Performance

Customer Impact

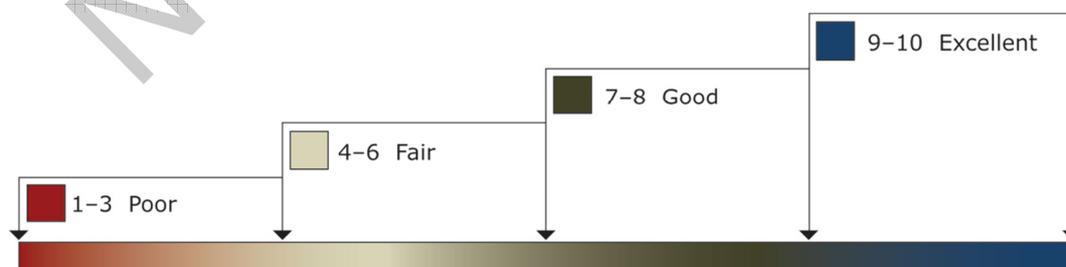
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practice Award Analysis for T-Systems

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard is organized by Visionary Innovation & Performance and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key players in as Company 2 and Company 3.

DECISION SUPPORT SCORECARD FOR COMPANY OF THE YEAR AWARD (ILLUSTRATIVE)

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Company of the Year	Visionary Innovation & Performance	Customer Impact	Average Rating
T-Systems	10	9	9.5
Competitor 2	9	8	8.5
Competitor 3	8	8	8

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs

Requirement: Implementing a robust process to continuously unearth customers’ unmet or under-served needs, and creating the products or solutions to address them effectively

Criterion 2: Visionary Scenarios Through Mega Trends

Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling “first to market” growth opportunities solutions

Criterion 4: Implementation Best Practices

Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 3: Blue Ocean Strategy

Requirement: Strategic focus in creating a leadership position in a potentially “uncontested” market space, manifested by stiff barriers to entry for competitors

Criterion 5: Financial Performance

Requirement: Strong overall business performance in terms of revenues, revenue growth, operating margin and other key financial metrics

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

Criterion 2: Customer Purchase Experience

Requirement: Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company’s product or service, and have a positive experience throughout the life of the product or service

Criterion 4: Customer Service Experience

Requirement: Customer service is accessible, fast, stress-free, and of high quality

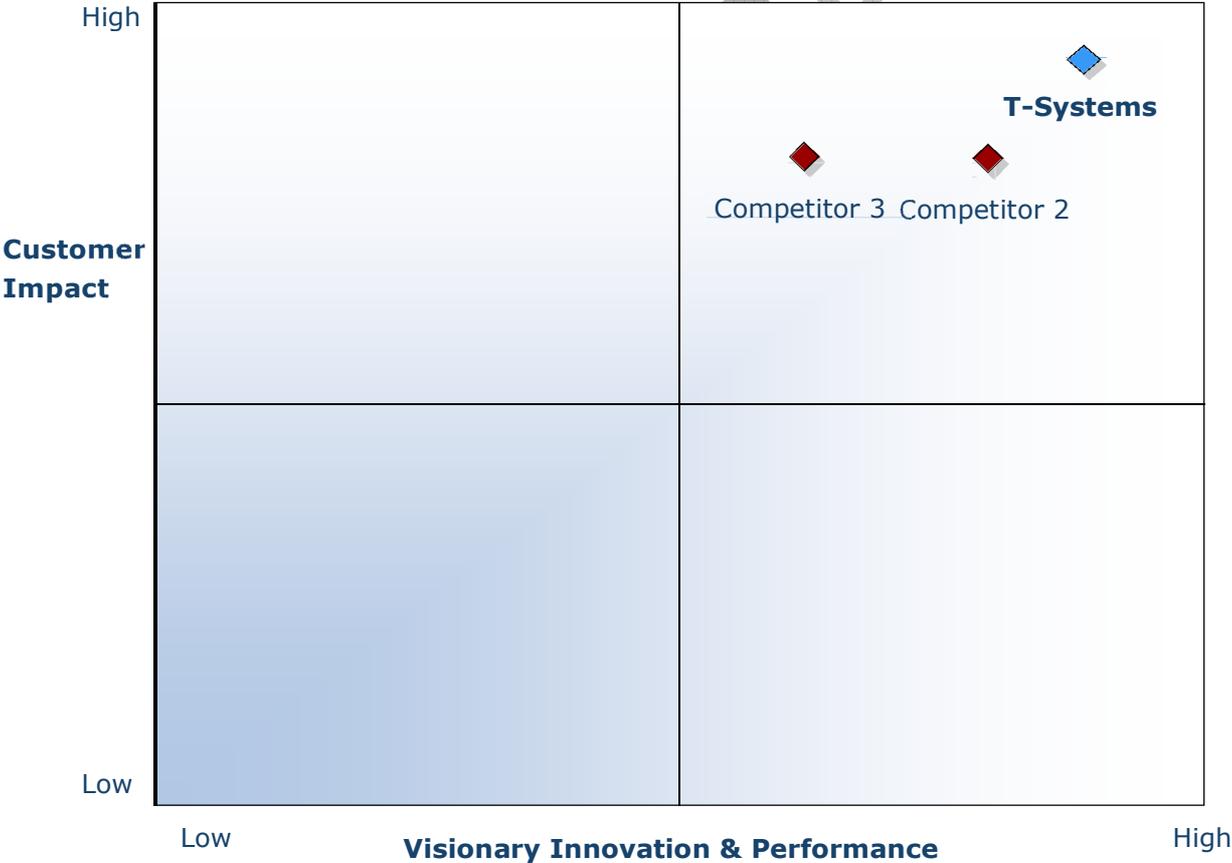
Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts can then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.

DECISION SUPPORT MATRIX FOR COMPANY OF THE YEAR AWARD (ILLUSTRATIVE)



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Our awards team follows a 10-step process (illustrated below) to evaluate award candidates and assess their fit with our best practice criteria. The reputation and integrity of our awards process are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify award recipient candidates from around the globe	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies 	Pipeline of candidates who potentially meet all best-practice criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates 	Matrix positioning all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized award candidates
6 Conduct global industry review	Build consensus on award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible award candidates, representing success stories worldwide
7 Perform quality check	Develop official award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best-practice award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select winner 	Decision on which company performs best against all best-practice criteria
9 Communicate recognition	Inform award recipient of award recognition	<ul style="list-style-type: none"> • Present award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of award and plan for how recipient can use the award to enhance the brand
10 Take strategic action	Share award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess award's role in future strategic planning 	Widespread awareness of recipient's award status among investors, media personnel, and employees

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Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.

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