



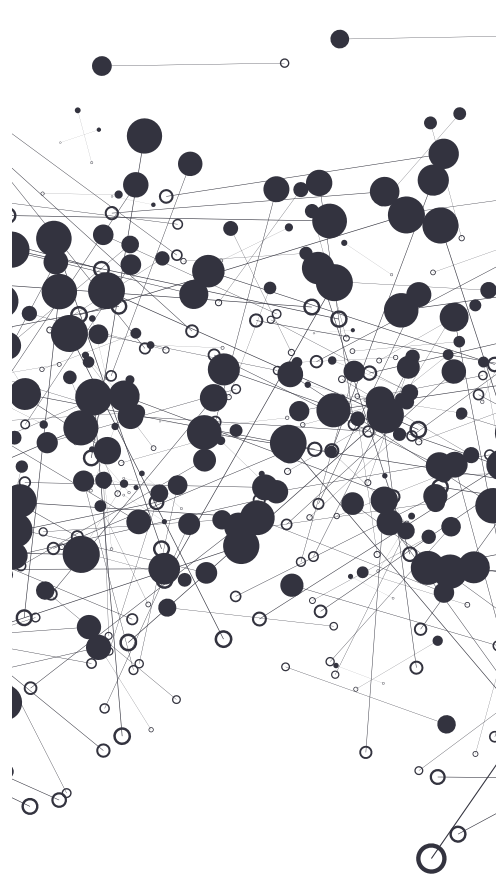
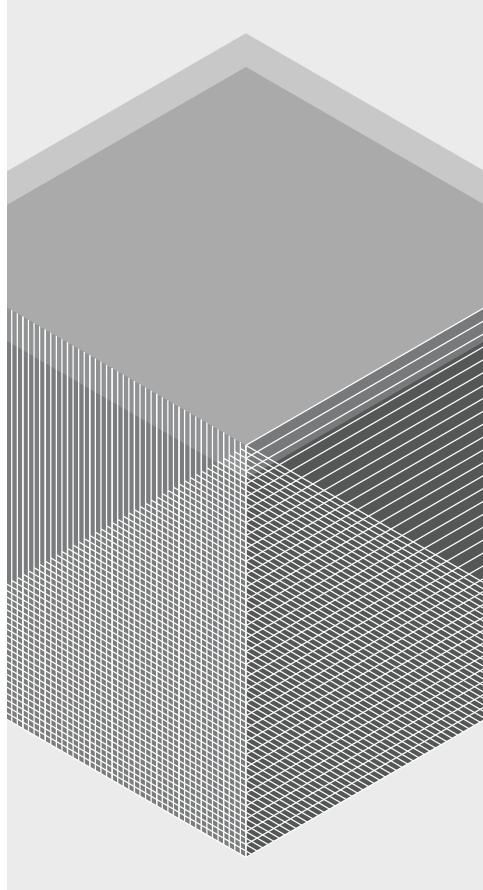
Clarity on KPMG Switzerland

Annual report 2016

Anticipate tomorrow.
Deliver today.

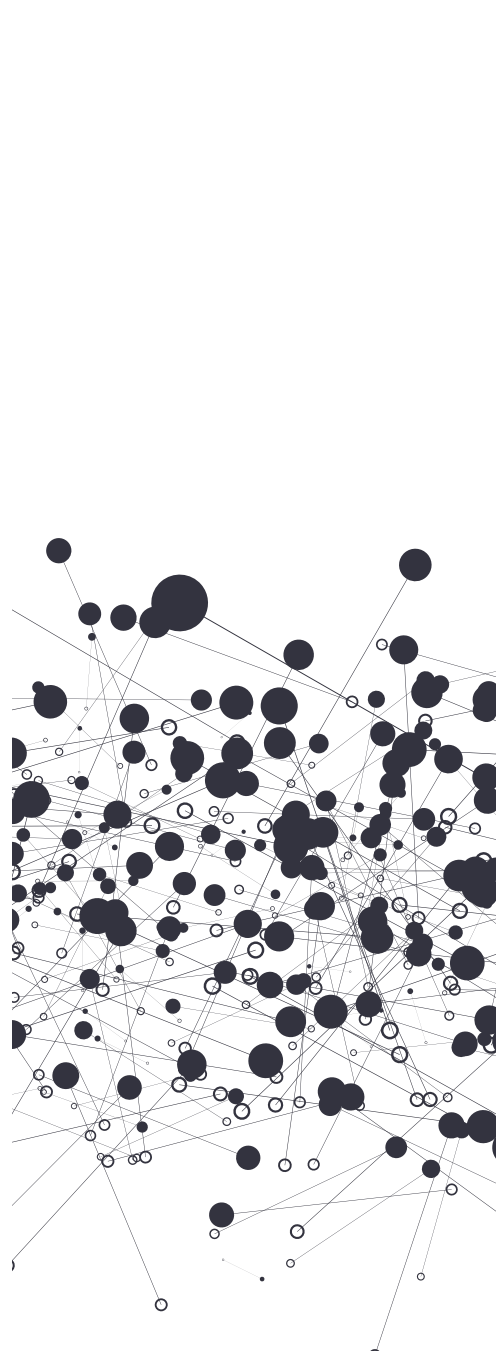
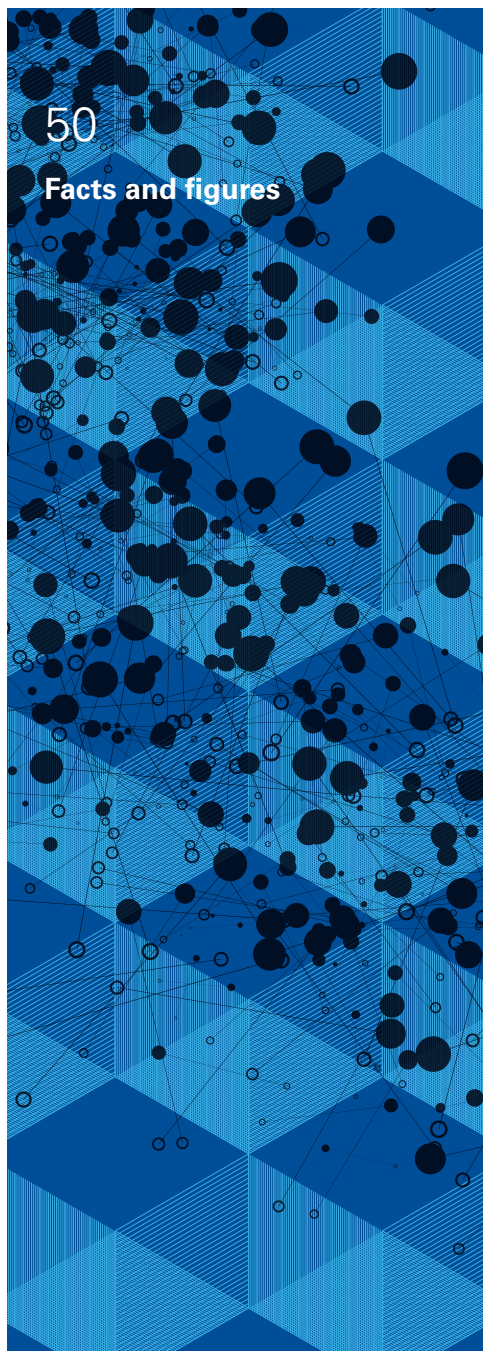
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Anticipate tomorrow.
Deliver today.



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Clarity on KPMG Switzerland

Annual report 2016

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The new digital reality



The Swiss economy is currently in the midst of major restructuring. Driving the transformation, digitalization is not only disrupting national boundaries and those of entire industries, it's also putting companies under enormous pressure to change. Additionally, even though the strong Swiss franc's impact has subsided, it has clearly triggered companies to focus on accelerating the optimization and concentration of their key processes.

The new digital reality has profound implications for the work of audit and advisory firms. Accordingly, we are investing heavily in both digital innovation and engagements as well as ensuring that our specialists' profiles offer state-of-the-art qualifications.

KPMG Switzerland achieved another good result in the last fiscal year. Taking into consideration both local and multinational companies, CHF 686.0 million was achieved in the Swiss market. Gross revenues of the Swiss firm rose to CHF 549.0 million (+1.5%) and net revenues increased to CHF 403.8 million (+0.5%).

Important investments in audit business

Audit had a very strong year and succeeded in boosting net revenues to CHF 202.0 million. The main drivers of Audit's successful result include increasing the speed and efficiency of our decision-making and management processes on today's projects and deploying the latest technology in order to glean valuable additional insights. In light of these developments, clients urgently need higher quality financial information and data analytics as a basis for reliable decision making.

Impact of Corporate Tax Reform III

Tax and Legal managed to roughly retain the same level as the previous year with net revenues reaching CHF 115.9 million. Clients were particularly driven by the desire for a comprehensive understanding of the tax issues involved in critical reviews of value chains and transformation processes.

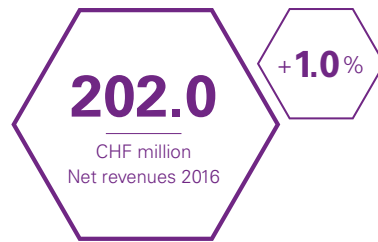
Between digitalization and investor restraint

With net revenues of CHF 85.9 million, Advisory showed a slightly higher result than previous year. Reorganization, increased efficiency and consolidation in finance, IT and purchasing were the most important growth drivers in Advisory, while compliance-related issues took center stage in Forensics. After the second quarter, Deal Advisory was able to provide guidance on several important M&A transactions.

We would like to take this opportunity to express our deepest gratitude to our clients, employees and business partners for yet another successful financial year.

Stefan Pfister
CEO KPMG Switzerland

AUDIT



Lukas Marty
Head of Audit

Transformation as a source of strength

This past year the audit business was driven more than usual by transactions, restructuring and relocations. KPMG's technologically innovative, interdisciplinary services were extremely successful on the market. The faster the transformation, the more important the peace of mind offered by auditors. The more companies change, the greater the potential for auditors to make a vital contribution. And this is something KPMG has been quite successful at over the past year.

Digitization raises demand for advisory services

There are multiple factors at play here. On the one hand, Swiss businesses and companies located in Switzerland have been involved in numerous deals which need to be assessed by auditors, even if they take place outside Switzerland. The bustling acquisition schedule is partly attributable to the strong franc, which has boosted the purchasing power of Swiss corporations enormously. Yet the strong franc has also prompted both foreign and Swiss firms to take a more critical look at which activities they want to keep in high-priced Switzerland and which services could potentially be provided more economically elsewhere. Many companies have relocated additional activities to shared service centers in Eastern Europe and India.

On the other hand, technological transformation has intensified even further. Many clients are restructuring their IT systems, often with far-reaching consequences: Companies are being reorganized and their age-old structures radically dismantled. Standardized IT solutions now make it possible for tasks previously performed across a large number of subsidiaries to be assigned to just a few global shared service centers. Not only that, but standardized IT solutions also allow global guidelines to be established within corporations, industries and even beyond. Compliance with these guidelines then permits comparisons that are highly useful to clients. For this to happen, however, state-of-the-art technology and data analytics first have to be available, mastered and exploited in a targeted manner. Market players have declared KPMG a leader in this area.



Growing demands on auditors

In its capacity as auditor, KPMG offers its clients peace of mind that every single aspect will be considered during these transformations, with its specialists contributing experience gained through their involvement in similar restructuring projects in other companies. Greater complexity combined with the accelerating pace of change have placed even more exacting demands on auditors, one example from the regulatory sphere being the new Accounting Act. While this complexity has driven prices up, clients also receive more comprehensive, higher-quality, in-depth analyses in return. These then offer businesses a high level of security and establish essential guidelines for the future.

International experience vital

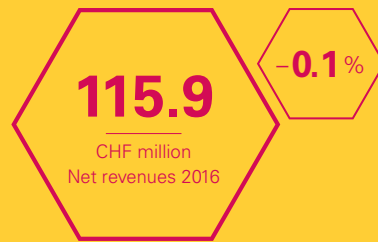
Good auditors are always a step ahead of developments. They deliver precise financial information and ensure that decision makers are supplied with pertinent information. Additionally, auditors are responsible for identifying relevant economic, business, regulatory and technological changes at an early stage, a particularly challenging task during phases when companies and their business models are undergoing rapid transformations. With that in mind, it is crucial that auditors have a good grasp not only of their clients' business but of developments in the respective industries as well. Only then can they ask the right questions and anticipate transformation.

That calls for employees with cutting-edge IT expertise and an ability to coordinate projects at the global level. Since KPMG's clients operate internationally and expect their auditors to have international experience, it is vital that the firm's employees spend a portion of their career abroad. Conversely, this also means that KPMG has to be able to bring top-notch foreign talent into Switzerland. If Switzerland intends to hold on to its status as an attractive location for corporations, it needs to facilitate their access to highly qualified talent. Unfortunately that is an increasingly difficult feat, especially when it comes to people from countries outside the EU.

A blend of audit and IT know-how

For KPMG to be able to provide audit services using state-of-the-art technologies, it needs employees with the right training. To this end, KPMG has now begun recruiting university graduates expressly interested in having two areas of focus: one in accounting and audit, the other in information technology. KPMG then provides its new recruits with any additional training required to achieve this goal. The new career development track also underscores the multidisciplinary approach that is nearly unique to KPMG. The fact that KPMG covers not just a niche but offers a full range of services under one roof puts the firm in extremely high demand among clients with extensive transformation-related needs. Changes help keep a company relevant. As an auditing and consulting firm, KPMG wants to make transformation a source of strength – for itself and its clients.

TAX AND LEGAL



Peter Uebelhart
Head of Tax

Approaching the moment of truth

Uncertainties surrounding the question of how corporate taxes will be structured in the future as well as a downturn in the number of foreign companies relocating to Switzerland have influenced tax advisory services strongly over the past year. Developments in the areas of indirect taxes and transfer pricing, on the other hand, are quite favorable. Furthermore, new topics such as data and analytics are having an increasingly positive impact on the advisory business.

An analysis of KPMG's value chains revealed that indirect taxes and transfer pricing were the issues that dominated tax advisory services over the past fiscal year. The tense currency situation coupled with the pressure it puts on margins has prompted numerous companies to analyze their production workflows with the aim of realigning them in order to maximize added value at even greater efficiency. To this end, they also need tax advice. Additionally, clients are eager to understand how radical changes like Corporate Tax Reform III (CTR III) and BEPS work and which impact they will have.

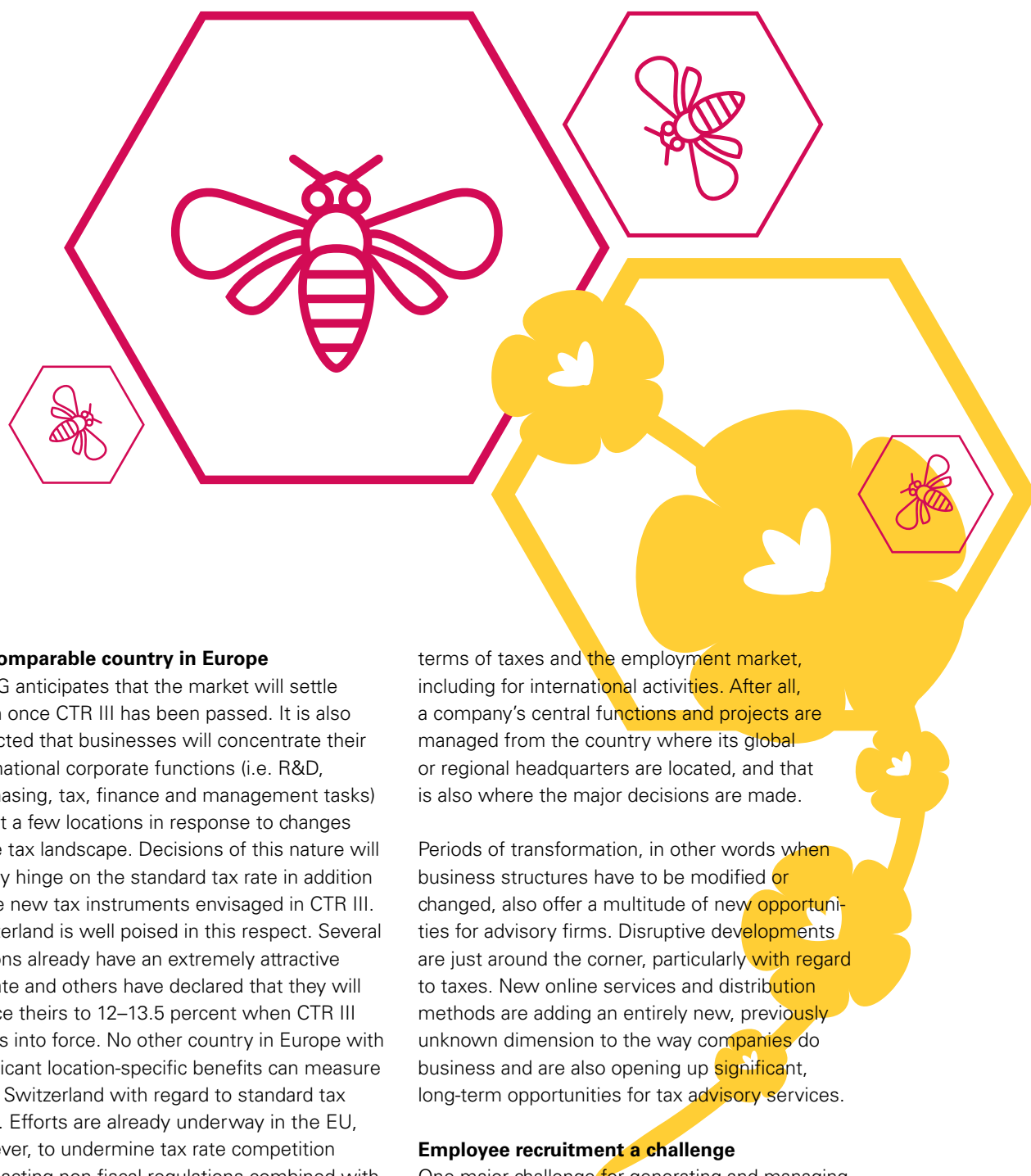
Analytics using state-of-the-art technology

New topics such as data and analytics are picking up speed in the tax landscape. Modern data analysis methods, which are capable of providing far more extensive analyses of clients' data

pools than standard techniques, are arousing clients' interest and offer substantial growth potential. This is where KPMG's multidisciplinary project approach fully comes to bear.

Demand for mobile workforce services remains strong. Here KPMG can draw on experienced specialists with excellent national and international networks to offer services, using the very latest in cutting-edge technologies, that satisfy the relevant compliance requirements.

Earnings in the location business were moderate. This is a direct result of the distinct decline in the number of foreign companies relocating to Switzerland. No upturn can be expected until the current legal uncertainties regarding future migration rules and CTR III have been eliminated.



No comparable country in Europe

KPMG anticipates that the market will settle down once CTR III has been passed. It is also expected that businesses will concentrate their international corporate functions (i.e. R&D, purchasing, tax, finance and management tasks) at just a few locations in response to changes in the tax landscape. Decisions of this nature will largely hinge on the standard tax rate in addition to the new tax instruments envisaged in CTR III. Switzerland is well poised in this respect. Several cantons already have an extremely attractive tax rate and others have declared that they will reduce theirs to 12–13.5 percent when CTR III enters into force. No other country in Europe with significant location-specific benefits can measure up to Switzerland with regard to standard tax rates. Efforts are already underway in the EU, however, to undermine tax rate competition by enacting non-fiscal regulations combined with minimum tax rates.

Business transformations trigger greater demand for advisory services

Once details have been clarified regarding the implementation of CTR III and the conditions governing future migration policies – policies which have a fundamental impact on the recruitment and international assignment of qualified specialists – the location business will pick up again. From this perspective, it is crucial for KPMG that Switzerland remains an attractive location in

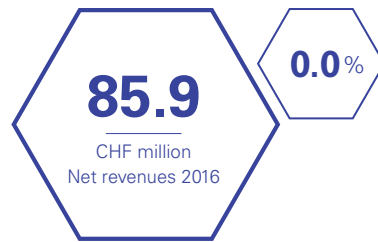
terms of taxes and the employment market, including for international activities. After all, a company's central functions and projects are managed from the country where its global or regional headquarters are located, and that is also where the major decisions are made.

Periods of transformation, in other words when business structures have to be modified or changed, also offer a multitude of new opportunities for advisory firms. Disruptive developments are just around the corner, particularly with regard to taxes. New online services and distribution methods are adding an entirely new, previously unknown dimension to the way companies do business and are also opening up significant, long-term opportunities for tax advisory services.

Employee recruitment a challenge

One major challenge for generating and managing future growth is finding the right employees. KPMG relies on skilled staff with an in-depth knowledge of business, a knack for thinking and working in networks and thus the ability to manage multi-disciplinary advisory projects. To this end, the firm has to be able to recruit qualified candidates both in Switzerland and abroad and that is why it is essential that KPMG be able to draw on foreign specialists without having to deal with major bureaucratic hurdles. Moreover, with several flexible working models, KPMG is well prepared to meet the new needs of younger staff.

ADVISORY



Anne van Heerden
Head of Advisory

Digitization as driver of the advisory business

The Swiss economy is experiencing a massive upheaval. While digitization opens up great opportunities, both for companies and the advisory business, a systematic use of innovative technologies is the key prerequisite for taking advantage of those opportunities.

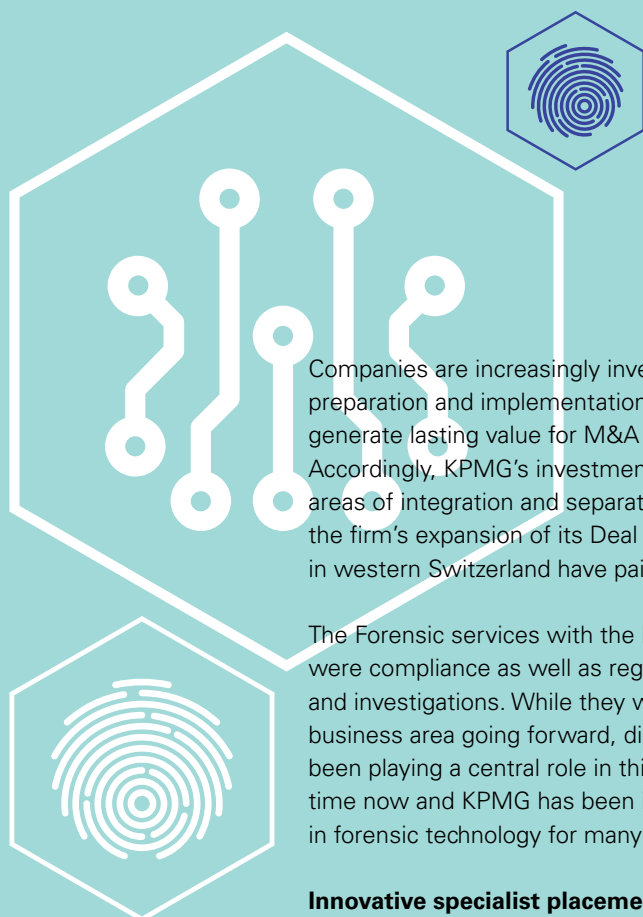
The increasingly extensive use of data analytics to successfully transform business models and develop new products and services has become indispensable to modern-day companies. Accordingly, this and other key digitization-related topics proved to be driving forces behind the advisory business over the past year and prompted the formation of several highly specialized teams. Banks in particular were extremely active in terms of transformation and required broad-based support. Both banks and insurance companies are focusing heavily on optimizing their structures and processes and developing new business models to boost their margins and safeguard future business. Ever since the financial crisis, a considerable amount of consolidation has been happening in the private banking sector; this is set to continue and will go hand in hand with substantial advisory requirements.

Steady development in advisory business

Demand for advisory services continued to rise over the past year. KPMG succeeded in landing major new engagements in several different advisory areas. Reorganization and efficiency

projects as well as consolidation projects in finance, IT and purchasing are the main drivers of demand. In addition to familiar measures such as downsizing and relocating jobs to low-wage countries, clients are increasingly looking to streamline their organizations, centralize and standardize processes and IT systems as well as exploit the potential offered by digitization and automation. Demand for services related to cybersecurity, data governance and certification has also seen an upturn.

In a Swiss M&A market where the number of transactions continues to fall, KPMG's Deal Advisory business has grown even further. Weak stock market performance early in the year, the unease this sparked and a persistently strong Swiss franc prompted restraint on the market. These uncertainties have increased the complexity of many transactions and it takes considerably more time until the deal is closed – if at all. In the real estate sector, a lack of investment alternatives has led to unrealistic price expectations on the part of sellers, a development that has also left its mark on M&A activities.



Companies are increasingly investing in deal preparation and implementation in an effort to generate lasting value for M&A investors. Accordingly, KPMG's investments in the strategic areas of integration and separation as well as the firm's expansion of its Deal Advisory team in western Switzerland have paid off.

The Forensic services with the highest demand were compliance as well as regulatory advice and investigations. While they will remain a key business area going forward, digitization has been playing a central role in this area for some time now and KPMG has been investing heavily in forensic technology for many years.

Innovative specialist placement solutions

KPMG puts digitization to work for its own advisory business too. Through alliances with Microsoft, IBM Watson and McLaren, KPMG has increased its expertise in the area of cognitive data analytics, developed new tools and invested in new services. One example of this is Marketplace, the online platform launched by KPMG to temporarily place our own advisors with our clients. If a CFO needs an experienced controlling specialist for ten days, for instance, he can post his request online at KPMG and will then be sent a selection of up to three qualified, available specialists via Marketplace within just 48 hours. All he needs to do then is select the candidate he wants and conclude the temporary staffing agreement online.

KPMG also invests heavily in networking activities and supports leading specialist organizations such as "digitalswitzerland" as well as specialist events including the "Swiss IT Conference", "Digital Festival Zurich" and "Hack Zurich".

Digitization also changing the business model of KPMG

The intensity of structural change will continue to grow unabated over the next few years. After all, each and every company will have to consider how it can best structure its organization. The same holds true for KPMG. It used to be that a team of experts visited clients to analyze their workflows and come up with ways of improving them. Today

much of this work is done by computers. What's needed now are more specialists who are familiar with the technology and innovations in this field. KPMG, too, continuously strives to realign its services and focuses intensely on the question of which fields of expertise, business models and skills will be relevant for its market success in five years and where digitization could potentially be brought to bear. Recruiting qualified employees will be one of the biggest challenges.

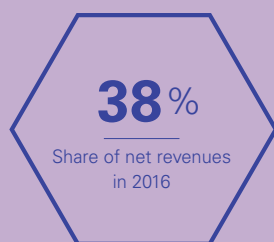
The advisory business will continue its dynamic development as well. Given the fact that old business models are being replaced by new ones, particularly in the banking, insurance and life sciences industries, the future will bring greater demand for people with extensive IT skills who know what the key stakeholders in these industries need. Developing better solutions for existing situations simply will not be enough. The future calls for new approaches. In that sense, the occasionally disruptive restructuring of the economy is actually an opportunity for the advisory business.

Data security is one of the major challenges presented by current developments. Cybersecurity and data protection are crucial topics not just for financial service providers but for most companies in other industries as well. Even businesses in the manufacturing industry will have to protect their data better if they want to hold on to the edge they gained through innovation. Tools are being developed in Data & Analytics which use sophisticated algorithms to help advisors draw the right conclusions more quickly in highly complex matters. This will place new demands on our employees' expertise.

Requirements continue to grow

The Swiss economy is in the midst of a digital transformation. To ensure that its clients can make the most of any opportunities that arise, KPMG needs to look far ahead to identify the skills needed by future employees. The risk that inventions and developments might make existing business models obsolete is greater today than ever before. Anybody with a wait-and-see attitude now has already lost the race.

FINANCIAL SERVICES



Philipp Rickert
Head of Financial Services

New business models required

Swiss providers of financial services are working hard to reposition themselves to prepare for the future in a rapidly changing environment. In light of current developments on the market and future trends, these efforts focus not only on implementing regulatory requirements but above all on considerations regarding fundamental transformations and new business models.

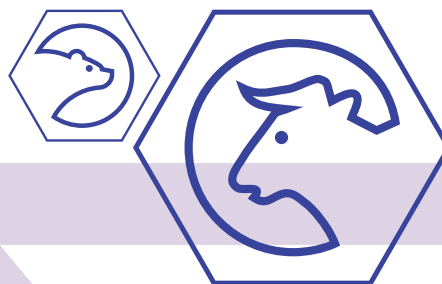
The state of the European financial system is fragile and that has an impact on the macroeconomic environment in Switzerland as well. With investment opportunities being constricted by negative and low-interest rate policies, bank clients are showing restraint. That, in turn, has led many private banks to resign themselves to extremely modest profits while also making them hesitant to take any decisive steps which could potentially remedy the situation. Despite the fact that some consolidation efforts are indeed underway, it is growing increasingly difficult to get buyers and sellers to sit down together at one table. And with the importance of combining size and agility on the rise, smaller banks are running out of time.

Repositioning among financial service providers

KPMG used several different business models to show its clients how they could respond to a variety of developments. One remarkable trend is that financial service providers in particular are broadening how they define their fields of

business and developing new products on an ongoing basis, some of which include cyber risk insurance, mortgage services and sounding out opportunities to collaborate with start-ups. Life insurance companies are working on restructuring their product portfolios. This area especially is suffering enormously under the current macroeconomic environment which is characterized by negative interest rates and a lack of long-term investment opportunities, not to mention the capital requirements of the Swiss Solvency Test.

Risks from the past are also ever-present: The launch of the automatic exchange of information is a development that affects all financial services providers. However the greatest challenge is still digitalization. Are virtual client consultations viable yet? Which opportunities does blockchain technology open up? Where can technology be harnessed to boost efficiency? How can a digitized value chain be managed? And which activities have to be relocated to lower-cost countries?



Increase in cyber risks

KPMG's business activities over the past year were shaped in equal measure by two main drivers: offshoring and nearshoring. Decisions whether to use these approaches take a blend of three factors into consideration, namely new business opportunities, compliance with regulatory requirements and risk management. Digitized processes are exposed to a number of different risks, most notably cyber risk which has risen enormously with targets including not just banks and insurance companies but also suppliers from the infrastructure, telecommunications and communications industries.

The response to the KPMG study on the performance of Swiss private banks, which provided insights into the sector's future business models, as well as to Regulatory Horizon, an online platform that addresses the most important regulatory topics in the financial industry, has been resounding. KPMG used these platforms to demonstrate its authority in these subject areas and succeeded in linking that leadership with the firm's practical experience in the industry, including its expertise in the realms of data privacy and cybersecurity. On the topic of insurance, KPMG has assembled an international Swiss and German team and significantly intensified its activities with cantonal banks in western Switzerland.

No growth in Switzerland

Looking ahead, two questions arise: What will drive global economic performance and which role will Switzerland and its businesses play in it? The underlying problem is a lack of growth. So where are all the future-oriented fields of business for the Swiss financial center? What can be done to restore clients' confidence in financial institutions?

The financial sector is increasingly technology-driven yet many of the technological innovations are still highly unpredictable. The major banks

are using blockchain technology in an effort to provide some financial services at a much lower cost. If it works, this will shake up the sector.

The urbanization of Switzerland as a place to work and the concentration currently in progress in the financial sector will continue unabated. The future will bring a streamlining of banks' branch networks, more digitally structured products and an increase in services that are provided virtually.

Greater employee flexibility required

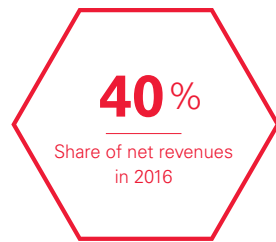
KPMG is investing heavily in new technologies to accommodate changes in the way it advises and audits its clients. Yet this transformation also calls for a willingness on the part of each and every employee to actively help shape those changes. For this multidisciplinary approach to advance to the next level, they need a strong shared cultural understanding as well as an ability to communicate closely with one another.

One of KPMG's big challenges is finding the right talent. A high level of flexibility is essential, especially when working on temporary assignments. Take international experience, for example. It is becoming increasingly important to KPMG that its employees also gain valuable experience in other regions of the world to help them cultivate an understanding of different cultures.

Importance of private retirement planning on the rise

Financial services provided to the next generation of clients will be subject to an entirely different set of requirements. Which tasks will insurance companies still need to have performed by people? Which banking services will be requested? And via which channels will they be used? Social security and pensions will be dominant issues among financial service providers. Here, the importance of private retirement planning will continue to grow and open up new opportunities for financial service providers. The Swiss financial industry is ideally positioned to meet this challenge.

MARKET REGIONS



KPMG strengthens regional presence

The past year has seen KPMG hiring additional staff in the various market regions and investing heavily in employee training. Medium-sized companies sought not only audit and tax-related services but demand for advisory services was on the rise as well.

The success of the Swiss economy hinges to a great degree on the medium-sized companies located in the country's different regions. KPMG is proud to provide advisory and audit services to a large number of these innovative companies with local roots and international networks. This is the result of KPMG's sustained efforts to foster the trust that those entrepreneurs have placed in it. Ten locations in Switzerland and one in Liechtenstein mean that KPMG is always

in close proximity to its clients. Likewise, our regional heads are every bit as present and firmly established within their local networks.

The market regions are performing quite well overall and experiencing continuous, sustainable growth with only very minor fluctuations in revenue over the course of the year. This is largely attributable to KPMG's loyal client base.

Heads of the Market Regions



Reto Benz
Switzerland



Claudio Boller
Basel



Hans Jürg Steiner
Berne-Mittelland



Hans Vils
Liechtenstein



Peter Michael
Eastern Switzerland



Lorenzo Job
Canton of Ticino



Hélène Béguin
Western Switzerland



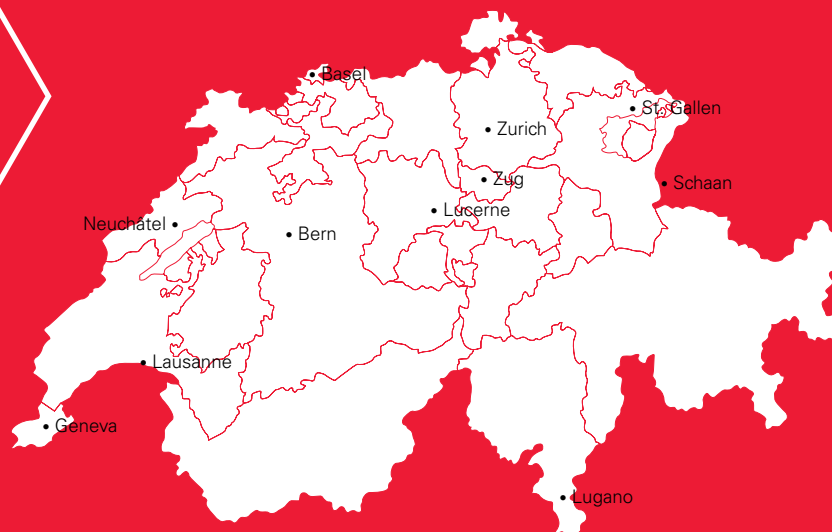
Thomas Affolter
Central Switzerland



Patrik Kerler
Zurich



Locations KPMG Switzerland



Demand for services related to structural change and regulation

The structure of the economy is in a constant state of flux, even in the regions, which has prompted greater demand for advisory services related to mergers and acquisitions with Swiss small and medium-sized enterprise (SME) involvement. Another driver this past year was the increasing regulatory burden.

SMEs are still struggling with the strong franc which is driving production costs up by international standards and squeezing margins. Also still unresolved is the shortage of skilled labor. On that note, the lack of details concerning implementation of the mass immigration initiative is not very helpful either as it strains the country's relationship to the EU and thus to Switzerland's key trading partners. Uncertainties surrounding Corporate Tax Reform III, on the other hand, are expected to be cleared up next year. KPMG helps enterprises define and implement their tax strategies, as well, with the regions benefiting from access to tax advisors with cantonal, national and even international expertise.

Digitization on the rise

So far Swiss SMEs have neglected to pay much attention to the topic of digitization. Yet companies interested in getting in shape for the future have to start familiarizing themselves with not only the opportunities and risks, but also the requirements of Industry 4.0, 3D printing and big data.

And this holds true regardless of size or industry. Each and every company needs to check which opportunities and options the new technologies and digital economy open up for it and then take appropriate action. Sooner or later, those who don't will get left behind.

Focusing on large Swiss metropolitan areas also impacts the country's many smaller market regions, which can manifest itself through a reduction in the number of regional bank branches or in a migration of potential staff to cities hosting relevant specialist clusters. That, in turn, is also exacerbating the struggle to find talented recruits outside metropolitan areas even further. New working models could conceivably counteract these trends. KPMG is keeping close tabs on these developments both to meet its own needs and also to assist its clients in the various market regions.

Steady development of market regions

The past year has seen KPMG hiring additional staff in the various market regions, strengthening the firm's regional structures and investing heavily in employee training. These efforts are all aimed at ensuring that companies can swiftly be provided with the expertise they need, whether from Audit, Tax or Advisory. KPMG concentrates particularly on family-run businesses and start-ups. The next few years will bring continued emphasis on employee development to hone their expertise in the various market regions.

QUALITY AND RISK MANAGEMENT



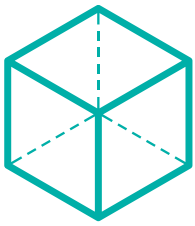
Philipp Hallauer
Head of National Quality
& Risk Management

Dedicated to a multidisciplinary approach and absolute integrity

The three function names Audit, Tax and Advisory stand for a wide variety of services provided by our highly qualified employees, all with extensive expertise, experience and a high level of commitment. Bundled as products, our services create added value for our clients. This added value depends not only on the skills of the individual team members, but also, and above all, on their ability to work together as high-performing multidisciplinary teams. We are committed to this approach as the best way to satisfy our own high quality standards as well as those of our clients and the wider public.

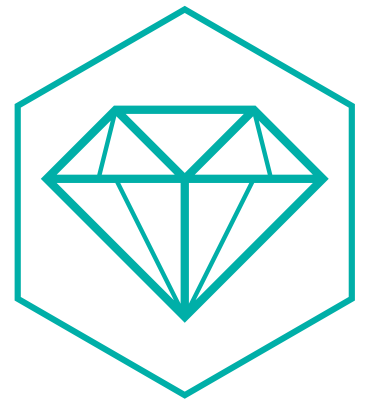
The audit is also a product of wide-ranging specialist knowledge. Good auditors have a profound understanding of their clients' business models and sectors. They know the risks of the business, which allows them to develop their audit strategy. They consider which areas of the audit require a high degree of professional judgment and in-depth expertise and arrange the necessary specialists to complement the team. For instance, they might consult specialists with valuation, IT or forensic know-how, tax experts or actuaries. These specialists draw on a wealth of valuable experience from their advisory mandates, which helps contribute to a sound basis for our audit opinion.

Integrity is our greatest asset and a basic prerequisite for excellence in our line of work, both in Advisory and in Audit. Integrity allows us to adopt a critical yet constructive approach while also laying the foundation for services and reporting that are characterized by great objectivity, transparency and candor.



"In the future, new international regulations will require statutory auditors to provide the public with deeper insight into their audit opinions.

As a result, the auditor's work gains even more relevance."



Relevance of auditing on the rise

From fiscal year 2016 onward, auditors will be required to include in their reporting to the annual general meeting of public companies deeper insight into those areas that required considerable professional judgment and critical assessment on the part of the auditor. They will also have to report on the audit procedures selected in response to these matters. This development will have an impact on interactions between auditors and audit committees as well. Audit committees and boards of directors will intensify their focus on audit quality, scope and methods as well as the resources used for performing the audit and any critical findings that arise. These reporting changes reflect new international regulations designed to make the audit of even greater relevance. The new tailored reporting will also benefit from the added value of and insights from multidisciplinary collaboration.

Quality and Risk Management serving the public interest

When it comes to audit, KPMG bears a great responsibility not only toward its clients, but also toward an extended group of investors and other stakeholders, as well as the general public. This applies particularly to the Audit function, but often to the Tax and Advisory functions as well. Our Quality and Risk Management consists of numerous processes, controls and activities designed to address this responsibility. Together, they ensure that we apply the necessary integrity, objectivity and quality in everything that we do.

You can find out more at:

🔗 kpmg.ch 🔗 [about KPMG](#)

🔗 [Transparency Report](#)

KPMG invests in technology, knowledge and infrastructure

Systematic investments in key target groups are a tradition at KPMG, benefiting not just the staff and clients, but also the economy and society as a whole. These investments are aimed at strengthening the creation and exchange of knowledge, promoting the further development of technology and infrastructures as well as providing sustained support to the economy and society.

Clients gain entirely new insights

The new opportunities created by ongoing digitization allow clients to benefit from the entirely new insights offered by systematic data analyses. Specialists help them develop the necessary transformation skills.

KPMG also makes in-house use of what is being termed the Fourth Industrial Revolution: "Marketplace" is an online platform that grants clients swift access to a wide range of professionals who can effectively help resolve any problems that arise and also cover staff shortages. The "Digital Lab" gives clients an opportunity to study extremely complex challenges and possible solutions in a simplified environment. The "Forensic Lab" is a state-of-the-art, in-house infrastructure that permits in-depth forensic investigations. KPMG also collaborates with

IBM Watson and McLaren in the area of cognitive intelligence.

Major international clients and SMEs alike benefit from tailor-made teams that not only have the requisite subject-matter expertise and knowledge of the relevant industry, but also a vital understanding of the client's culture.

Creating an ideal working environment for staff

KPMG supports its staff of over 2,000 employees by offering them professional training and development. Whether on a national or international career path, as a specialist or in a leadership role – the best people find KPMG offers the ideal conditions for achieving their full potential. Not only do these opportunities include training programs for university graduates to qualify as audit and tax experts, but also "out-of-the-box"

assignments across functions and mentoring programs. Mobility programs give both young talents and seasoned specialists a chance to broaden their horizons and gain experience in fields outside their original areas of expertise as well as in new countries and cultural regions.

KPMG endeavors to ensure its employees are well cared for outside work, too, by investing in preventive healthcare programs and sporting activities, offering flexible working hours and locations wherever possible and also providing support for child care, laundry and vehicle maintenance services as well as generous insurance and retirement planning solutions. Additionally, KPMG supports staff members who have an active, personal commitment to social, cultural, sporting and political causes.



Valuable input for business and society

KPMG regularly makes valuable contributions to discussions regarding key economic and political issues. These include studies and other professional articles addressing topics such as recent developments concerning private banks, the regulatory challenges facing financial institutions, Switzerland's tax attractiveness for businesses and individuals, white collar and cybercrime, the M&A and real estate markets, plus many other market areas. When it comes to Switzerland's future as a

business location, a topic that also includes the evolution of the country's tax system, KPMG has been playing a leading role for many years now and is in direct contact with top-ranking members of the worlds of politics and business.

KPMG is actively involved in numerous professional associations and special-interest groups while also furnishing media representatives and opinion leaders from the realms of politics and science with valuable practical knowledge.

KPMG Thought Leadership Center



Anticipate tomorrow. Deliver today.

Efforts to tackle future challenges have to start today, namely by identifying future trends and gearing our activities accordingly. The next few pages feature W.I.R.E.'s trend researcher Stephan Sigrist talking about the most important developments of the future. Severin Moser, CEO of Allianz Schweiz, Heinz Baumgartner, CEO of Schweiter Technologies, and Stefan Pfister, CEO of KPMG Switzerland, discuss how these changes affect their own business models. Other topics include the impact of digitalization and sustainable long-term support.

Man or machine

Digitalization

Technology simplifies our day-to-day lives while also dictating both how we communicate and work. Automation is on the rise, robots are taking over simple tasks – efficiency is improving. Digital transformation is ubiquitous. A never-ending stream of new solutions is opening the door to virtually endless opportunities for business and society. Yet where are the limits? Is a race between man and machine looming?



Everywhere and nowhere

Mobility

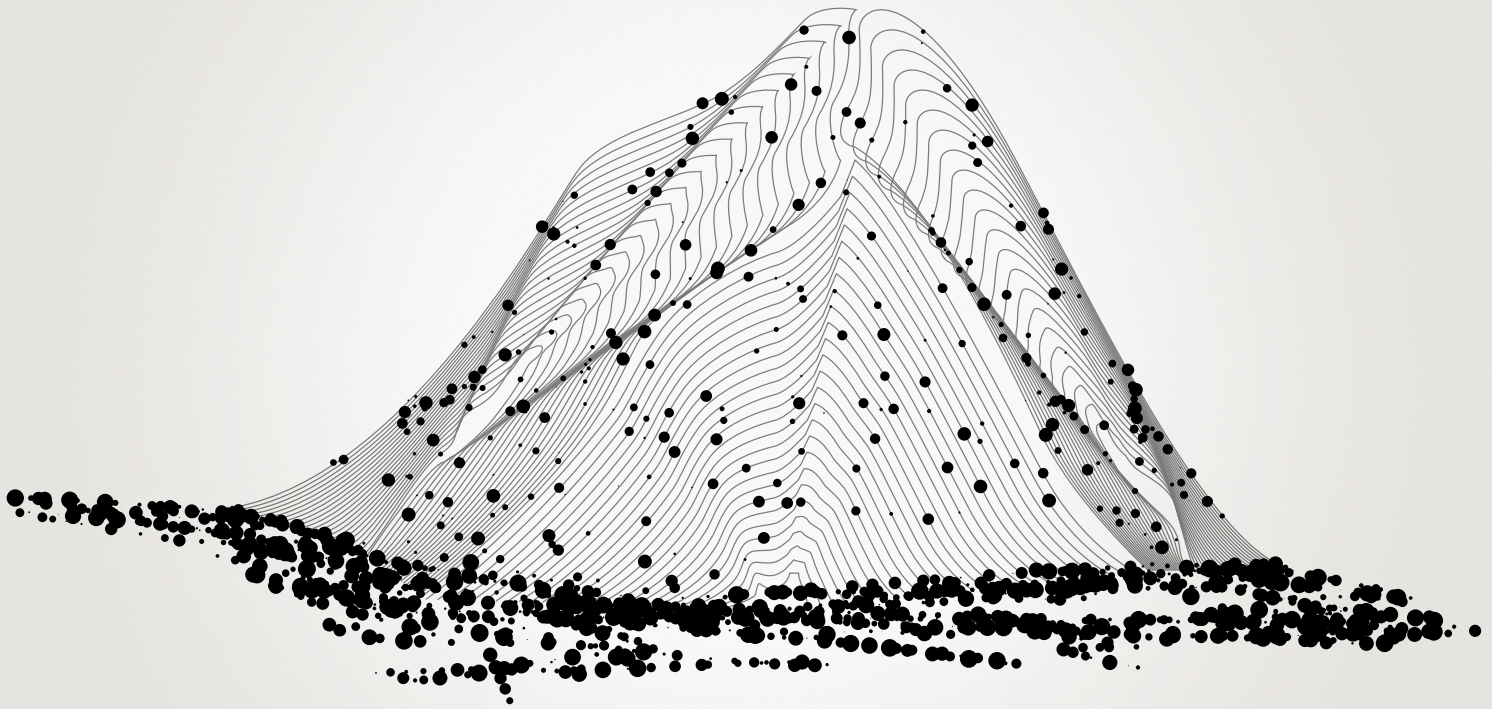
The home of the future is everywhere. More and more people are working at geographically independent locations, somewhere between where they live and where they are employed. In an increasingly mobile society, the importance of interpersonal communications and cultivating relationships is on the decline. Are we at risk of becoming digital nomads? Lost in the anonymity of social networks and 24-hour availability?



Metropolis or home

Urbanization

Residential and living spaces are becoming increasingly scarce. The lines between urban and rural areas are blurring. Soon, more than three quarters of the world's population will live in cities. New environmental technologies, intelligent planning concepts and rising digitization are making a sustained contribution toward enhancing our quality of life. This is offset by a growing need for calmness and relaxation as well as a longing for tranquility and a place to escape from the accelerating pace of everyday life.



Motivation and growth

Work-Life-Balance

Self-determination and a sense of purpose are central expectations of the latest generations of employees when they define what it means to have a fulfilling job and a healthy work-life balance. Today's competitive environment, on the other hand, requires that workforces be managed flexibly so that companies can continue meeting the challenges of the market in the future as well. Are new, versatile solutions a crucial competitive factor in the struggle to find the very best talent?



"Innovation isn't just a question of technology."

Interview with Stephan Sigrist

Founder and head of the W.I.R.E think tank

W.I.R.E.

Over the past ten years, the interdisciplinary think tank W.I.R.E. has analyzed developments in business, science and society. The Swiss idea laboratory has focused on identifying new trends and translating them into strategies and areas of action for private companies and public institutions. Thematic priorities are digital economy, social innovation and promoting the future viability of business. Stephan Sigrist is the founder and head of W.I.R.E, publisher of the ABSTRAKT book series, author of a number of publications and a keynote speaker at international conferences.

Stephan Sigrist

After studying biochemistry at ETH Zurich, Stephan Sigrist initially joined Hoffman-La Roche's medical research team. He subsequently went on to work at Roland Berger Strategy Consultants and the Gottlieb Duttweiler Institute as a management consultant. Stephan is a member of the Governing Board of the aha! Swiss Allergy Center and the Foundation Board of Science et Cité.



Trends are developments and changes with economic, political or social relevance. But how do we know which developments are relevant and to what degree? It might seem like every aspect of our lives has already been overrun by rampant digitalization. Yet what opportunities does it offer, where are its limitations and will people even be able to keep up with the accelerating pace of change in the long run? What other trends are impacting the Swiss economy and how are they being addressed?

We look into these and other issues in an interview with Stephan Sigrist, founder and head of the W.I.R.E. think tank.



Can Arikan spoke to Stephan Sigrist

KPMG Mr. Sigrist, what are trends and how can they be identified?

Stephan Sigrist Trends are defined differently depending on which field of application you're talking about. In essence it's about documenting a change over a period of time which is then attributed a certain amount of relevance.

And how do you know if this kind of change will have a major impact on our lives?

There's really no final answer to that question. It depends on what your

objectives are. We live in the "Age of Big Data", which is a fact of life that we have to address on a daily or even hourly basis. Identifying relevant information is getting trickier all the time.

But how can it be done, even despite the difficulties?

One key factor when looking at new information is the ability to see the big picture and link that new information to its potential consequences. Since a development's relevance isn't always apparent early on, thinking in terms of scenarios is also crucial.

So that also means it's impossible to predict a trend's typical half-life?

That's right; it's impossible to say. Depending on the nature of the trend, you're dealing with entirely different timescales and half-life periods. Demographic change is a silent social revolution that will have a lasting impact on our society over the next few decades. If we analyze consumer trends or game apps like Pokémon Go, on the other hand, they might be "hot" just for one summer and less relevant as a result.

Did you catch the Pokémon Go virus?

No. But I'm fascinated by the social mechanisms that led up to all the hype.

What determines whether a company joins a trend?

That depends on how you look at it. As a company or organization, you're driven by your own business activities, and those tell you whether a development should be considered relevant or not. Yet given the inundation of data and sensory overload of our modern world, identifying actual trends and long-term changes isn't getting any easier. Even though we strive to think in ever longer terms, it's becoming increasingly easy to get caught up in short-term issues. That's not without problems.

When identifying trends, do you rely on the results of market research or your gut feeling?

We most definitely base our attempts at documenting and explaining the past and present on statistical data since it provides us with quantitative evidence. A systematic approach is undoubtedly important when it comes to new developments, too. I wouldn't go so far as to talk about gut feelings, but a subjective estimation based on corresponding qualitative arguments is certainly relevant. When all is said and done, you can't use the past and insights about the present to extrapolate the future. Anticipation is called for instead. Projections based on the current potential of technologies frequently fall short.

Which trend is impacting you personally the most at the moment?

Among others, our society's growing flexibility: in other words the blending of work, family life and personal development. One difficulty here lies in the breadth and multitude of options that are open to us and we continuously have to choose from. Technological advances make a parallelism possible in our society, an ability to do things and satisfy multiple needs at the same time, which was unheard of a hundred years ago.



"SILICON VALLEY'S
APPROACH COULD BE APPLIED
MORE INTELLIGENTLY."

Stephan Sigrist

In other words, the death of either/or?

Yeah, you could put it that way. Quite possibly one of our society's greatest achievements. At the same time, though, it's also a burden that takes a huge toll on us.

What is the main focus of W.I.R.E.'s current activities?

We've always been interested in life sciences, food, banks and insurance companies, but also media and cities. Right now our activities revolve around digitization, which is not only changing our workflows and strategic planning but also society as a whole.

And where do you see your part in all of this?

Currently, our main job isn't identifying the latest trends. Instead, we're helping make sense of rapid changes and taking a critical look at peoples'

expectations of the digital revolution, some of which are quite high. We're also working in depth on the consequences of increasing life expectancies, researching what options a predictably longer life could offer us. You might be able to have two careers and pursue two different educational pathways, one after the other, and generally plan your life in an entirely different way. The question at the heart of this is frequently how to successfully make long-term plans in an ever-changing world.

Which trends are currently shaping the Swiss economy?

That would have to be digitization in all its shapes and forms including the search for new business models, organizational forms and positioning on the job market. At the same time, the economy is being shaped more than ever by politics, particularly the

relationship of Switzerland and the Swiss economy to Europe. Understanding societal trends plays an increasingly important role in this too. Politics, the economy, the world of research and society are all parts of the overall system and need to be linked accordingly.

How would that work?

Innovation isn't just a question of technology. The sustainable, active shaping of social structures is a central requirement for political stability, which, in turn, is pivotal for economic growth. That means we need more integrated thinking and actions. The silo solutions we've used over and over again in the past come up short. I believe this realization is gaining acceptance and companies are starting to make more long-term plans and see the big picture again as a result.

And how are companies in Switzerland dealing with this?

At the moment we're a bit trapped between a hyped-up situation, in which we'd like to anticipate as much of the new reality as possible and a state of shock of sorts, in which we don't really know where changes are coming from and where they are taking us.

So that means they're stuck between two poles?

In principle, at least, companies are aware of the fact that the world is changing. We see numerous examples of companies and industries that are actively addressing issues relating to the future. At the same time, however, many others are still overwhelmed by trying to come to terms with the dimensions of the changes actually taking place in the world and wondering if they're really as fundamental as the technology companies in Silicon Valley would have us believe. Whether we're in the midst of a revolution or this is simply part of an evolution will only be revealed in retrospect.

What does that mean for Switzerland?

For us in Switzerland, that means we need to think about what role we want to play in this new economy. After all, we're not at the mercy of Silicon Valley's ideas and predictions calling for a digitization of everything that is digitalizable. One of our jobs will be to challenge the euphoric hype of the new economy. Uber and Airbnb, for instance, aren't merely innovations that are growing at lightning speed; they also cause damage and uncertainties that have to be dealt with.

Your recommendation?

The right step now would be not merely to view innovation as a technical component, as previously mentioned, but rather to embed technology within

a market economy and within society. It's not the potential of a new technology that's primarily at the heart of this, but rather the added value it offers users. It's my belief that those companies that align their activities with this approach are the companies that will enjoy the greatest commercial success. That's why I don't share Mark Zuckerberg's motto of "Move fast and break things". It should really be "Think ahead and create value".

Will Silicon Valley remain the Mecca of this culture of innovation or can you already spot fresh sources of new ways of thinking in the world?

Of course Silicon Valley has certain qualities that will keep it at the forefront of industry's digitization process for quite some time. The location's magic touch can be attributed to a combination of several factors that have evolved historically. Yet we're also seeing new locations that cultivate a start-up culture and technological innovation: these are popping up in Berlin, London and Tel Aviv, and increasingly also in Switzerland. We can expect them to contribute new approaches. I'd like to re-emphasize, though, that it would be a mistake to think that technology is, in and of itself, the only thing capable of solving the challenges facing our society and economy.

Is interdisciplinarity the magic word?

Exactly, that's precisely what I'm trying to say. In Switzerland, people can be heard claiming that digitization means we'll mainly be needing software engineers in the future. I'm not so sure about that. Even in tomorrow's world, there will still be a need for manual skills and liberal arts mentalities capable of tackling the real challenges facing the market economy in a very real way. And I consider Switzerland predestined as a place where these

qualities can interact. Thanks to our dual education system, we have a long tradition of intellectual and physical skills. You can't just program everything; you also have to be able to build things. Silicon Valley's approach could definitely be applied more intelligently. That's where I see an opportunity for us.

Are there any sectors or branches of industry that are completely resistant to trends?

It might seem like every aspect of our lives has already been overrun by the rampant trend of digitization. The big question will be whether and how we can successfully design man-machine interfaces, and how smoothly we can integrate technology into our day-to-day lives.

To what extent do visions influence innovations and vice-versa?

There are essentially two mechanisms involved. Either you observe the present and project a development into the future. That's how Google is developing self-driving cars, which means that we'll have driverless cars in the future. Or you think about what might be desirable for the future without having any idea whatsoever as to when and how that goal might be reached. That was the approach used by German inventor and author Ernst Höckel in 1910 in his book entitled *Handbuch für Erfinder* (The Inventor's Manual), in which he documented desirable visions for the future. This is the right approach for a vision: Don't let yourself be guided by the possibilities opened up by existing technologies, instead imagine the best possible version you would like to see.

Everybody is talking about digitalization. Do you think they all know what they're talking about?

No, but it's really impossible to grasp right now because people aren't aware of its long-term consequences. The problem starts with understanding what digitalization actually entails. First you have to realize just how many different levels digitalization is occurring on. We are talking about personalization through data processing, about automation and virtualization, and, finally, about the democratization of production processes. And platforms need to be created where the first step is to learn where and how digital components can be employed meaningfully and where it's better to refrain from using them.

Where do the boundaries of digitization lie?

Digitization promotes efficiency. We will entrust algorithms and robots with performing simple processes and pattern-based tasks but it will be very hard to substitute digital solutions for anything more complex than that. And that's a good thing too.

Opinions differ on this point ...

Algorithms still fail when it comes to performing integrated analyses of highly complex systems like financial markets or human biology. There will always be people who say it's just a matter of time until algorithms become sophisticated enough to surpass the human brain's ability to process complex situations. On the other hand, there are also the skeptics who insist that an algorithm is only a model that will eventually reach its limit, and that people will always be needed to process complex, unexpected occurrences.

But will that limit ultimately be purely technological in nature?

No. If you shift the focus onto how digitalization benefits man, its limit

will probably lie at the point where the disadvantages outweigh the advantages.

Could you give us a concrete example?

Users or end consumers provide a company with their personal data in return for a product or service that offers them added value. People benefit from digitization as long as this trade-off exists. If you are merely inundated with meaningless advertisements in exchange for your personal data, the disadvantages outweigh the advantages and you lose interest.

Does that mean users' personal data is becoming the new currency of the digitalized world?

That's the big promise being made and right now it's being presented without question as the foundation of the future economy at every conference I attend. The only thing we're getting right now, though, is useless advertising. Today we're living right in the middle of a data bubble that's about to burst because it simply can't produce the benefits people were promised.

Is big data just a pipe dream?

That's not entirely accurate. There are already a lot of applications available that provide real added value by processing and analyzing large volumes of data. Examples include those capable of recognizing patterns in customer behavior or others in the field of healthcare that assign therapies to patients with specific diagnoses. Yet here, too, there will likely be limits to the performance of such applications. Overfitting will reduce the precision of analyses once the volume of data has exceeded a certain level.

Where do we stand on the Internet of Things?

It's still in its infancy. We're just slowly starting to interconnect everyday appliances and get an inkling of what the long-term consequences of this technology might be. You could also say that we've just developed the alphabet and now have to learn how to read and write. While we might start seeing a large number of applications in our everyday lives through which intelligent devices actually offer added value, this development will also open up new risks of dependencies or system outages as a result of cyber attacks.

With that in mind, what is the biggest opportunity offered by digitization?

The biggest opportunity undoubtedly lies in increased efficiency. There are industries that still hold a great deal of potential for enhancing efficiency.

Will Industry 4.0 render human labor redundant?

Whenever I read articles on this topic written by concerned politicians, what springs to mind is that almost exactly the same essays and warnings were making the rounds during both the period of industrialization in the early 20th century and the period of automation in the 1950s. Pessimistic predictions repeat themselves in a regular cadence. But what always happens – and is about to happen again now – is that we adapt and change our abilities and skills to fit the circumstances. New professional profiles will pop up, and we will redefine the man-machine interface yet again. That means we'll have to think about how robots should be used, how we should make use of the freedom this gives us and how our work should be remunerated in the future.

Will our current educational system still be adequate in the future?

The way things look right now, only to a certain extent. Critical thinking calls for factual knowledge – in order to understand the world, you have to look at it in detail. In a world where the half-life of knowledge is becoming ever shorter, we have to take a critical look at our learning methods and target skills. Of course, basic math, writing and language skills will still have to form the cornerstones of education.

Where will urbanization take us over the next 50 years?

In a few highly developed regions of the world, including Switzerland, urban sprawl could decline again since the achievements of digitalization and mobility enable a more decentralized life. You don't have to live in a city anymore to get to work fast; in fact you can actually work in the Engadin as long as you have access to an internet connection. Plus, shortages in residential and living space combined with the desire for more peace and quiet will promote a broader distribution of the resident population throughout the entire country.

When all is said and done, aren't people working themselves into the ground, given the conflicting priorities of this fast-paced, technological world and the need for peace and tranquility?

Yes, we're already seeing this quite a bit and it has a lot to do with a misconceived understanding of technology. People are giving in to the temptation of trying to adapt to a computer's speed, but that's something they'll never be able to do. We might actually be standing at a turning point in history. Until now, the consensus was that more data, faster processing and more efficient processes would automatically provide a better decision-making basis. We've now reached a point where even greater volumes of information won't necessarily help us. I could have 500 or even 500,000 friends on Facebook, but it won't do me any good if I can't make use of those

contacts. That's why I'm convinced that the next level of innovation has to focus more on people.

So does that mean there will never be a 24-hour non-stop society?

No. As long as we are biological beings that require sleep and have a variety of other needs, we won't be able to pick up the pace however we want. We're actually already seeing countermovements. People's interest in working part time is growing again and work-life balance is a major topic of staff appraisals. I think people are reacting quickly and very instinctively on this point. Plus, this is also being influenced by market logic. Businesses are discovering that employees who take more breaks and don't work twelve hours back-to-back are more productive at the end of the day, have better ideas and work more precisely.

How are companies dealing with these developments?

It takes time to change cultures that have been growing for decades. We are currently experiencing a shift in workplace structures and models. Which work should I do at the office, which might be better to do at home? It's not a simple process and actually calls for a major effort on the part of companies.

Aren't millennials the ones demanding new innovations at an increasingly breakneck speed?

There's certainly a risk that we could become dependent on fast-paced changes. Reality will put a damper on it, though. Even millennials are actually already distancing themselves from that attitude and looking for a trade-off between fluctuation, change and permanence.

How will individualization develop over the next few years?

Individualization is one of the greatest achievements of our Western society in the past 50 years. We are free to shape our lives as we please, including our choice of career, partner, hobbies

and even eating habits. Yet that is precisely where we run the risk of overwhelming ourselves due to the sheer complexity of these choices. Even the task of selecting which groceries to buy at the supermarket presents us with countless decisions that our ancestors weren't faced with. In that context and in many aspects of life, I consider a return to the community and the individual's position within that community to be a cornerstone of each person's sense of belonging.

But doesn't digitalization lead to greater individual freedom?

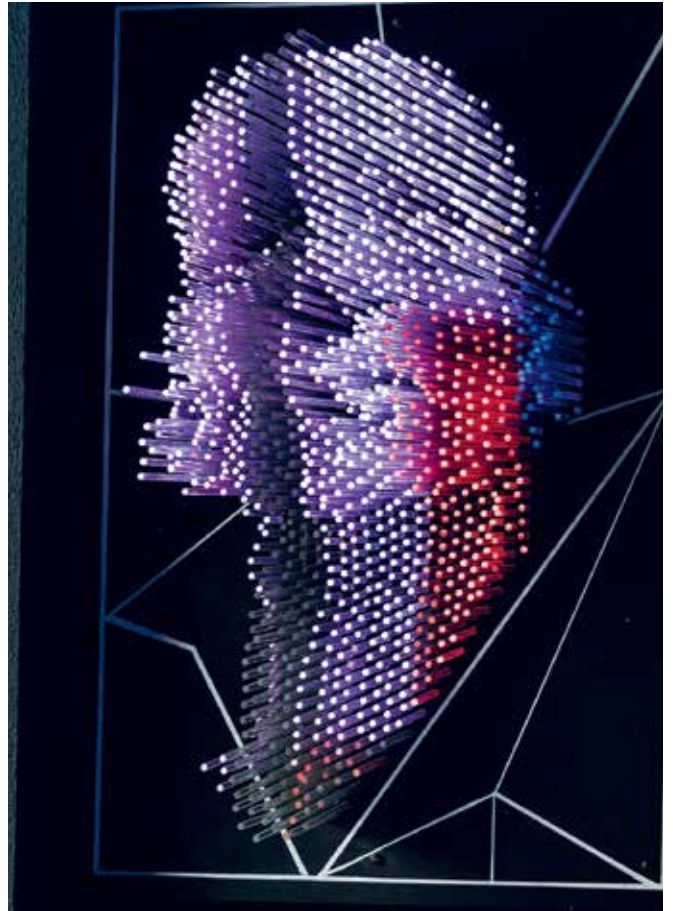
Yes and no. On the one hand, of course, there are more ways to organize your life and better access to personalized products and services. On the other, though, digitization also leads to standardization and greater convergence. More importantly, the filters influencing your life will become increasingly narrow. That means algorithms recognizing your preferences and always applying them to you. You won't discover much of anything new outside your digital spectrum.

So the Gaussian curve has hit its social peak?

Yes. We'll always be pushed back into the middle. That can be seen in a number of different areas of life and business. Even in political discourse, where other opinions apparently no longer exist. Because in a personalized media world, you will only be offered news and opinions that confirm your prejudices. And that is a threat to democracy.

One last question: Does Switzerland's image abroad tally with how we see the country from the inside?

I frequently get the feeling that we overestimate our own importance and, to put it simply, rest on our laurels. In the past, Switzerland's pioneering spirit, hard work and courage have always helped it forge ahead. This is the spirit we need today – now more than ever.



KPMG launches a new digital attack

The digitalization of the economy continues to gather momentum. New production and distribution methods as well as interactive communication technologies are having a radical impact on business models, value chains, data infrastructures and customer relationships. This is forcing Swiss companies to take a critical look at their business models while simultaneously giving them a chance to seize these opportunities to tap future markets. KPMG has rigorously realigned its processes and its own service portfolio to better meet these demands.



Digital ecosystem

KPMG offers its clients a unique range of data analytics support services in areas such as artificial intelligence, for instance, where we have collaborative alliances set up with partners including Microsoft, IBM Watson and McLaren. The options opened up by these partnerships are being incorporated seamlessly into our auditing and advisory services to facilitate companies' transformation processes and also help them identify opportunities. Here, KPMG can draw on a highly specialized Digital Board that drives innovation forward at the required pace.



Engagements & networks

In addition, KPMG Switzerland is actively involved in several important digital initiatives such as digitalswitzerland. Leading, innovative specialist events like Digital Festival Zurich, Hack Zurich, the Swiss IT Conference, the Risk & Security Forum and the Swiss IT Sourcing Forum take top priority at KPMG. Furthermore, regularly published studies and surveys conducted in cooperation with universities and network partners enable KPMG to make relevant contributions to digitization-related topics such as cybersecurity, data & analytics, business transformation and fintech.



Latest publications

A KPMG white paper published in November 2016 looks at shaping Switzerland's digital future. Addressing Switzerland's potential as a location for initiating future growth in the digital economy, the paper looks at seven visionary business opportunities for positioning Switzerland as a global leader. Promising ideas are given a great deal of room to ensure that Switzerland's digital business community emerges from the fourth industrial revolution a winner. The white paper is available online at: www.kpmg.ch/digital



Opportunities for digitalization, but also the pressure to digitalize and to automate often go hand-in-hand with fundamental transformations. As Head of Consulting, Ulrich Amberg is driven by the strategic orientation and further development of KPMG's consulting services in Switzerland. Current major focuses in providing consulting services to companies are digitalization of business models, radical automatization of processes and the use of technology to take advantage of big data.

"RADICAL AUTOMATIZATION OF PROCESSES WILL SUSTAINABLY ALTER BUSINESS MODELS."

Ulrich Amberg
Head of Consulting and Business Transformation



In a digital economy, cyber risks endanger operative business, private spheres, the security of products and, not least, clients' trust. Guided by companies' strategic business targets, Matthias Bossardt supports clients worldwide in safely overcoming the challenges of digital transformations and sustainably taking advantage of the opportunities they offer. In October 2016, in the Bilanz special "Digitalization", Matthias Bossardt was elected as one of the 100 most influential leading personalities in Switzerland in the field of the digital economy.

"CYBER RESILIENCE AND DATA PRIVACY ARE THE FOUNDATION FOR TAKING ADVANTAGE OF THE CHANCES OFFERED BY THE DIGITAL ECONOMY."

Matthias Bossardt
Head of Cyber Security



Nowadays, companies are living with more comprehensive and progressive interaction with the theme data & analytics. Firms use information not merely for reporting, but also use data in real time in their own business processes. As Partner in the KPMG Group in the field of data & analytics, Gerben Schreurs focuses on supporting companies in designing and developing tailored solutions, in order to get the best value out of data.

"DATA & ANALYTICS IS THE FUEL DRIVING DIGITALIZATION OF BUSINESSES."

Gerben Schreurs
Head of Data & Analytics



Buildings and infrastructure are long-term investments which, in some cases, last for thousands of years. Digitalization alters the way in which these assets are constructed, used, managed and recycled. Beat Seger bridges the gap between digital space and built-up space. He supports owners, service providers and suppliers in overcoming the challenges of the digital development of buildings, the Internet of Things, automatization in construction and management as well as the totally new, dynamic demands of the increasingly mobile user.

"DIGITAL CONCEPTS ARE THE NEW FOUNDATION OF BUILT-UP SPACE."

Beat Seger
Head of Real Estate Technology



Today's investment in the field of robotic process automation and cognitive computing has opened the next era in digital transformation. Prafull Sharma advises and supports companies in the implementation of client-centric solutions with a focus on such investment. He also appears at national and international events speaking on the subject of disruptive innovation, digital transformation and the changing roles of technology leaders in the digital age.

"THE NEXT ERA IN DIGITAL TRANSFORMATION IS CHARACTERIZED BY ROBOTIC AND COGNITIVE COMPUTING."

Prafull Sharma
Head of CIO Advisory

Will innovation and digitization completely restructure our business lives?

**Swiss business leaders
in dialogue**

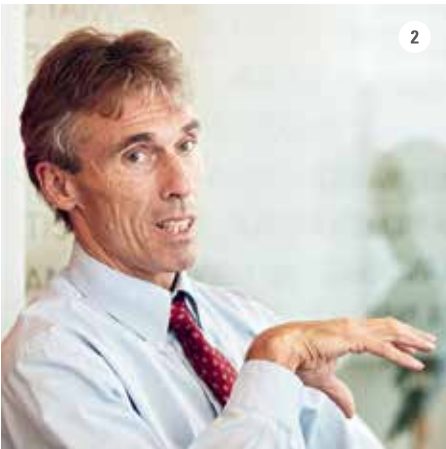
The future of the business world – the big unknown we are all so eager to discover. What drives us? Which factors determine our lives and economic ties? These are the questions we look at during a round table with Heinz Baumgartner, CEO of Schweiter Technologies AG, Severin Moser, CEO of Allianz Suisse Versicherungs-Gesellschaft AG, and Stefan Pfister, CEO of KPMG Switzerland. The discussion was moderated by René Lüchinger, Publisher-in-Chief, Blick Group.

Interviewee

- ❶ **Stefan Pfister**
CEO, KPMG Switzerland
- ❷ **Severin Moser**
CEO, Allianz Suisse
Versicherungs-Gesellschaft AG
- ❸ **Heinz Baumgartner**
CEO, Schweiter Technologies

Presenter

- ❶ **René Lüchinger**
Publisher-in-Chief, Blick Group



René Lüchinger Which issues will have the biggest impact on Switzerland's economic future?

Heinz Baumgartner I'm convinced that innovation will be the most important long-term value driver, regardless of which industry you look at. Of course that goes hand in hand with the question of what the customer of tomorrow's needs will be. Since innovation is always driven on the customer side, that means we have to be in a position to understand customers and anticipate their needs.

Can this principle also be applied to the advisory business where the concept of innovation is more abstractly defined than in the manufacturing industry?

Stefan Pfister In the advisory business, we have to identify the challenges facing our clients as early as possible so that we can develop innovative, forward-looking solutions. This can only happen if we have enough qualified resources, in other words enough specialists, who ultimately determine our capacity to provide our services. And lately, this set of required capabilities, know-how, experience and skill has been rapidly changing. Right now the current challenge to our business model is the fact that we must, to a large extent, develop the specific specialist skills that we need in-house through training and professional development programs. The education market simply doesn't offer the rapidly evolving qualifications that we need.

Severin Moser Despite the fact that the insurance industry also offers a relatively abstract product, our business is still based on the principle of innovation and the early identification of



new client needs. Yet innovation in our industry doesn't just happen at the product level, it's also found in interactions with clients and in claims handling processes.

What exactly does that mean?

Severin Moser That means clients want to be able to communicate with us twenty-four hours a day, seven days a week, regardless of whether they need to submit a claim, take out a policy or request an offer. Clients are caring less and less about agencies' traditional opening hours. Plus geographical autonomy is important nowadays. The younger generation of clients is less interested in having insurance agents make traditional house calls and visit comparison sites and online insurance coverage calculators instead.

The term "digitalization" is currently dominating the discussion about future scenarios. Not merely in the sense of new distribution channels, but also with regard to the development and production of goods and services. What are the implications for your industries?

Heinz Baumgartner Digitization will change our business, but this change won't happen nearly as rapidly as is generally predicted. In our branch of industrial manufacturing we will have intelligent components like façade elements that detect outdoor weather conditions and relay them to the climate control system inside the building.

So that means a sharp increase in the added value of individual components, right?

Heinz Baumgartner That's correct. Digitalization offers huge opportunities for the manufacturing industries in that regard, but there are some drawbacks too.

What comes to mind?

Heinz Baumgartner: On the one hand there are questions regarding data protection and data security that need to be cleared up and, on the other, we'll eventually reach the point where computers will be making and implementing more and more decisions – decisions that had previously been evaluated and carried out by humans.





"NONE OF TODAY'S DECISION
MAKERS ARE
DIGITAL NATIVES."

Stefan Pfister

CEO, KPMG Switzerland

That gives rise to entirely new legal and ethical questions, for example when it comes to the concept of self-driving cars.

Industry has begun replacing field staff with virtual service staff accessible via smartphone. Are virtual KPMG advisors or auditors just around the corner?

Stefan Pfister That's actually already a reality in a few countries and in areas

with a low degree of complexity. Digitalization is a hot topic for us at KPMG and it's permeating our business on three levels. First, we're asking ourselves how data analytics and digitization can generate added value for our clients. The advisory sector needs to assume some kind of pioneering role here and examine which elements of the digital universe are potentially useful to clients and which are not. Second, we're working to find the best possible way to apply

the technology we use by focusing on process optimization and topics like big data processing. Third, we're taking a critical look at how we organize our work environment and assessing our employees' profiles. Here, we're asking ourselves if digitalization will require more or fewer specialists in the future. Or rather, will it call for specialists with a different set of qualifications? In any case, these three areas are making our business development process quite dynamic.

Tell us more about big data.

Stefan Pfister Actually, right now nobody really knows where this road is taking us or what kind of information we can generate with the enormous volume of data that we're collecting, storing and feeding into new algorithms. We'll know more in another five years. Still, I see huge potential not only in the areas of audit and advisory but also in terms of new product and service development both in Mr. Moser's insurance industry and in Mr. Baumgartner's industrial manufacturing. For those of us working in the audit business, for instance, big data means continuously asking ourselves which additional insights can be gleaned from our audit activities and how this information generates value for our clients. For example, we can help companies access previously unknown information that could facilitate monitoring at the board of directors level while also supporting and simplifying management decisions.

So auditors are being replaced by machines at the lower levels, but when it comes to interpreting the results and advisory services, automating the professional profiles at KPMG is nearly impossible.

Stefan Pfister Certain routine tasks will be automated in auditing as well. Yet the same thing holds true for tomorrow as it does for today: we will still need the very best people in the business. What's new, however, is the growing need for these people to have an affinity for IT which allows them to correctly interpret and apply both the workflows and the results. In this regard, it's not only essential that we continuously adapt our own in-house training and professional development programs but also that, longer term, the education system also catches up.

Mr. Moser, to what extent are you able to prepare your sales staff for the new digital world? After all, contact with clients has been quite a bit more down-to-earth in the past.

Severin Moser The new potential opened up by technology affects us along the entire value chain. Not only will our products change radically but also the way we lead our clients to these products and guide them throughout the entire client experience. This aspect is much more pronounced in a retail market than in purely B2B relationships. It also affects internal processes. We're currently testing applications, for instance, that can assess and appraise auto damage claims. Traditional claims adjusters who are sent to a garage to assess damage sustained by cars involved in an accident will do this less frequently in the medium term and will be reassigned to other tasks within the company instead. And I agree completely with Stefan Pfister on one point: well-qualified staff can be retrained and given responsibility for new tasks. One question we ultimately need to answer at a societal level is what will happen to the lower levels of the value chain? The simple jobs lost to automation? I don't have an answer to that question yet, either.

To what extent will digitalization change insurance products? A claim will always be a claim.

Severin Moser Take car insurance, for example. Today you pay a flat annual premium. In the future, the premium might be calculated dynamically based on your driving style, frequency of use or the terrain where you drive your car. All of this data can be read out of a car in real time. And if these parameters reveal a correlation to the probability of a claim, your premium will be flexibly

based on those parameters in the future. Another example is international logistics. In the future, every intermodal container will transmit data indicating its position or even its internal temperature and humidity. That will be enormously helpful in reducing loss and damage, increasing transparency and enabling flexible, individual pricing.

Compared to its global competitors, where does Switzerland stand in terms of its role as a pioneer in digitalization? Can we keep pace with other hotspots around the world?

Stefan Pfister Metaphorically, the first train has already left the station. Switzerland and the Swiss economy are now trying to make sure they're on the second train. The problem is, though, that we're kind of shooting ourselves in the foot with regulatory frameworks and tax laws, for instance, that aren't really very favorable for start-ups. But ours is a learning society and right now there are a lot of positive things happening in our country like the "digitalswitzerland" initiative or the fintech movement in the financial industry.

Heinz Baumgartner The question of where Switzerland stands in relationship to other locations is a tough one, though. If you ask me, there's one central aspect that always precedes any business or political actions: self-determination! Self-determination leads to autonomy and autonomy leads to initiatives. And this capacity for self-determination is something we surrender bit by bit.

Is digitalization in Switzerland actually triggering a loss of jobs in the country, are they just being shifted or is it even possible that jobs relocated to low-wage countries just a few years ago might return to Switzerland?

Heinz Baumgartner Yes, jobs will be lost. On the other hand, however, new job profiles will also appear. Whether the same workers will be able to transition into the new job profile and meet the new requirements is doubtful.

Are young people in Switzerland getting the right education or does our education system lag behind the current and future requirements of the business world?

Severin Moser I have two daughters who just recently graduated from high school. So far, secondary school curricula include shockingly little on the topic of digitalization. In fact, they don't address it at all. If you ask me, seniors in high school should be introduced to the skills they need to cope with digital trends. The way I see it, programming should become a mandatory, systematically incorporated part of the curriculum. Parallel to that, corresponding professional profiles and apprenticeships need to be created in the dual education system.

Stefan Pfister I agree wholeheartedly. Although I think one of the reasons behind this deficit is that none of us – and by 'us' I mean everyone from politics, business, trade associations and educational institutions – is able to completely grasp the full scope of these developments. I'm sure it's also a generational issue because none of today's decision makers are digital natives.

Are any of our neighboring countries doing any better?

Severin Moser I spent five years living and working in Germany and didn't see any approaches that looked promising. That in itself means this could be a huge opportunity for Switzerland to

take on a leading role in this area, just as we have done so often in the past. Switzerland's three-pillar pension scheme is still the envy of many countries. Our small size, federalist system and the quicker, more flexible decision-making channels we have as a result could help put us a step ahead of other big nations. From that perspective, I don't foresee a grim future for Switzerland at all. We have the capacity to respond intelligently to major changes.

Heinz Baumgartner To a large degree, we're training people for the wrong jobs in Switzerland. Whereas a job advertisement posted by ABB looking for a mechanical engineer might attract three applicants, a thousand people reply to one ad for a social worker posted by the City of Zurich. We have to work together to fix this situation. And if the political system is too slow to bring about the necessary changes, it's up to companies to build up the right skill sets through internal training and professional development.

How is digitalization changing your role as CEO and leader?

Heinz Baumgartner My professional life definitely became more fast-paced and transparent. I'm expected to respond and make decisions with a much shorter turnaround time, the other side of the coin being that these decisions are more susceptible to errors. I, myself, still use a traditional paper planner, am not present on social media platforms and only a selected circle of people know my mobile phone number. Yet, I'm still living a happy life and have lots of friends ...

Stefan Pfister I'm a bit more open about this and even have my mobile number printed on my business card.

It's important to me that my people can easily reach me so I don't turn my phone off on the weekend or when on holiday. I've found a way to deal with constant availability that works for me. When I'm on vacation, I feel better if I spend an hour a day checking my emails rather than being completely offline for two weeks. But, what we should keep in mind is that every business is a relationship between people that is built on trust. Technology gives us fantastic tools, but will never take the place of a personal discussion between two people. Because of this belief, my leadership style is heavily based on face-to-face communication with employees.

Severin Moser Growing digitalization has hardly changed my leadership style at all. Of course I take advantage of the possibilities offered by modern-day technology, but the way I lead and approach people hasn't changed.

What can we expect from the big buzzword "Internet of Things"?

Stefan Pfister That's a hot topic right now. Here, too, we feel our role is that of advisor and facilitator of new approaches and opportunities in the world of digital interaction, one key aspect of which is data security. How will access to information, whether bank data or even surveillance cameras, be encrypted and transmitted? Not all of the players on the world economic stage have developed an awareness of these topics yet.

The integration of "Things" into digital communications must have a direct impact on industry, doesn't it?

Heinz Baumgartner Yes, of course, however the concept praised as a



"CLIENTS WANT TO BE ABLE
TO COMMUNICATE WITH US
TWENTY-FOUR HOURS A DAY,
SEVEN DAYS A WEEK."

Severin Moser

CEO, Allianz Suisse Versicherungs-Gesellschaft AG

futuristic vision under the term "Internet of Things" has actually been a reality in industrial production for the past ten to fifteen years. Here I'd like to mention intelligent façades. Another example includes large manufacturing machines equipped with internal cameras so that if there is an error or technical breakdown on a machine in India, technicians in Switzerland can look straight into the heart of the machine. I think what's new about all of this, is that the idea will also start affecting people's everyday lives.

At the industrial level, on the other hand, it's old news.

[Will we be seeing self-driving cars on streets and pilotless airplanes in the sky any time soon?](#)

Heinz Baumgartner A lot of possibilities will be opening up soon from a technical standpoint, but in the end, people have to have confidence in the technology and that's where we still have a long way to go.

Stefan Pfister Artificially replicating the inner workings of the human brain is still no easy task. Our judgement, for instance, is frequently better than a computer's could ever be. Data processing is one thing, correctly interpreting data and events is an entirely different story. I really can't imagine a scenario in which our day-to-day lives are taken over completely by machines and computers as being realistic or conceivable – thank goodness!

Youths with a future

Dragonfly association

Right in the middle of Cambodia, located not too far from Angkor Wat, is a unique training restaurant named Haven. But what makes this restaurant so special? To Cambodian youths it represents an indispensable training facility, for tourists and visitors it is a fantastic opportunity to enjoy absolutely top-notch dishes. Melanie Gubler, HR Advisor at KPMG, is also impressed by the project and has been supporting Dragonfly since 2011.

While touring the world in 2008, Sara and Paul Wallimann visited a Cambodian orphanage in Siem Reap that was desperately in need of aid. Their first efforts to provide direct assistance took the form of English classes and fundraising to build sanitary facilities and a kitchen.

Restaurant with a classroom

Sara and Paul saw back then that the youths who had grown up in orphanages or other institutions were left empty handed and without a future once they had come of age and no longer received any support from aid organizations. This realization gave rise to the idea to build a transitional facility for these youths. After completing their world tour in 2010, they returned to Switzerland where they founded the Dragonfly association and launched a fundraising drive to get their big project off the ground. In April 2011

they returned to Siem Reap to build a restaurant with a classroom where they would then begin training these youths on site and offer them a bright future. Together with their friend Steffi Feierabend, also from Switzerland, they mentor some 12 young trainees every year and teach them to work as cooks and waitstaff. Their efforts are supported by Pardet Chhom, a Cambodian chef who also started with nothing and worked his way up to land a job at one of the region's most prestigious restaurants.

Helping them help themselves

"Dragonfly's philosophy is based on the concept of teaching Cambodian youths how to help themselves. We want to give these kids the chance to step out of the shadow of poverty, train them to be competent professionals and, in doing so, empower them to build a secure, independent

future," says Melanie Gubler, member of the Dragonfly Management Board. The facility not only offers professional training but also courses geared toward the young adults' emotional development. Other topics that are integrated into this practical training program include English lessons, computer lessons and advice on how to write résumés or conduct job interviews.

38 trainees in 5 years

"So far 38 young adults have been accepted into the vocational program, 34 of which have successfully completed it, entered the working world and were placed in good jobs. 15 youths are currently enrolled in the program," says Melanie Gubler. The trainees not only have a space in the program but live in a shared residential facility not far from the restaurant. Plus Haven covers all expenses for its trainees such as rent, food, clothing, medical care, school supplies and teacher recruitment. Apart from paying trainees a fair wage, Haven opens a bank account for each of its charges where they can save their share of the tips. This account then serves as a nest egg and provides them with the financial resources they need to get their new lives off to a good start after completing the training program.

"DRAGONFLY'S PHILOSOPHY
IS BASED ON THE CONCEPT
OF TEACHING CAMBODIAN YOUTHS
HOW TO HELP THEMSELVES."

Melanie Gubler





Facts & figures

Dragonfly is a non-profit
Swiss association
that implements projects
for youths in Cambodia.

Year founded

2010

Founders

Sara and Paul Wallimann

Currently enrolled

15 trainees

Training completed

34 trainees

New Haven opened

Haven faced yet another challenge last year: Booming tourism and the accompanying increase in rents in Siem Reap prompted the founders of the training restaurant to relocate to a quieter, nearby neighborhood and to close the existing restaurant. In operation since December 2015, the new Haven can seat 100 guests and provides many more opportunities. Not only that, but the new training restaurant affords space for a larger number of trainees as well. That was exactly the right decision because the new bijou can now train even more youths and offer long-term security for existing jobs.

Organic farm for greater expertise

While the new restaurant was being set up, the initiators spent their time working the land next to the residential facility to create an organic farm. By producing their own food, trainees can acquire an even broader range of knowledge from their mentors plus selling the produce to Haven's kitchen generates additional income for trainees. The organic farm won't be the last project initiated by Dragonfly in Cambodia. Its founders recently published their own cookbook, for instance. And in September they started building a bakery on a neighboring piece of land to expand and intensify their training program.

Project-based support

Dragonfly only collects project-based donations and invests 100% of the funds raised into the planned projects. Administrative expenses are financed through membership fees. This approach also convinced KPMG: "Dragonfly lets us see for ourselves just which project objectives have been met. The basic principle of 'helping people help themselves' was a major factor in our decision to support this project," says Roger Neining, Chairman of the KPMG Foundation Board. "Our involvement has given us the opportunity to make a valuable contribution toward helping youths find the strength they need to learn crucial skills despite their difficult circumstances and, in doing so, become integrated into society."



**Further projects supported
2015/2016**

From top left to bottom right

United Lives Association,
The Magic Lantern Association, Baden
Foundation "Lebensfreude",
Swiss Cancer League, Movember



The KPMG Foundation is an independent, charitable foundation. It annually supports a number of innovative charities and projects in the areas of education, the integration of people with disabilities and socially disadvantaged individuals as well as people in need.

KPMG's donations make a notable contribution towards ensuring that these organizations and projects can sustain and expand their charitable activities. By staying in touch with the charities after making a donation, the KPMG Foundation is able to experience how the organization makes use of the funds.

🌐 kpmgfoundation.ch

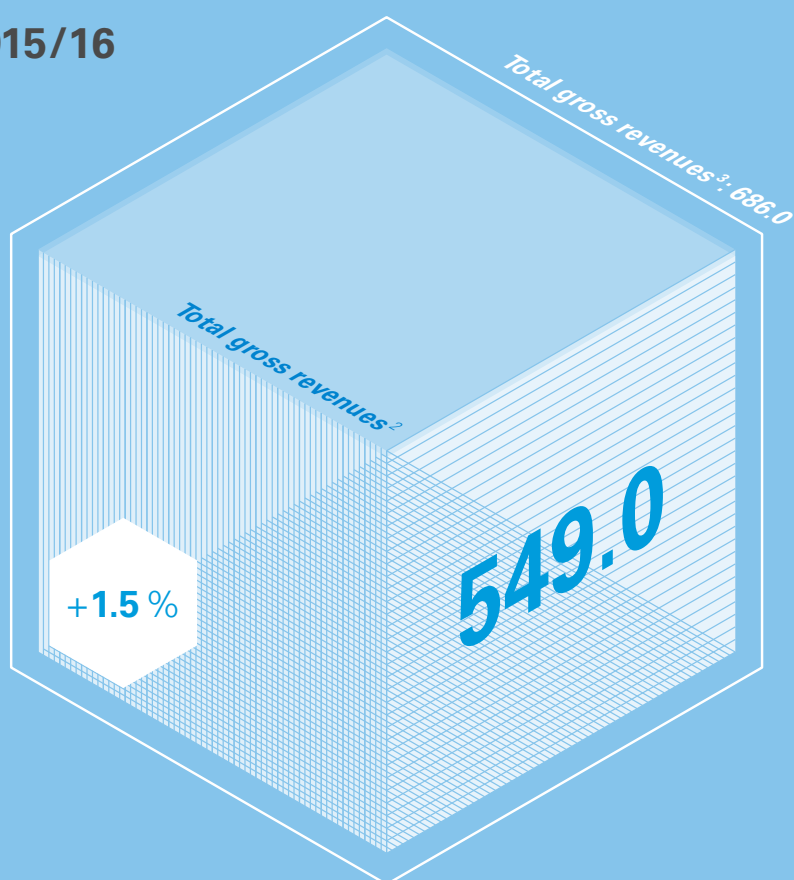


Facts and figures

In the past fiscal year ended 30 September 2016, KPMG Switzerland made another good showing. Over the course of the next few pages we will give you an insight into our company's development and positioning.

Annual result 2015/16

Gross revenues 2015/16



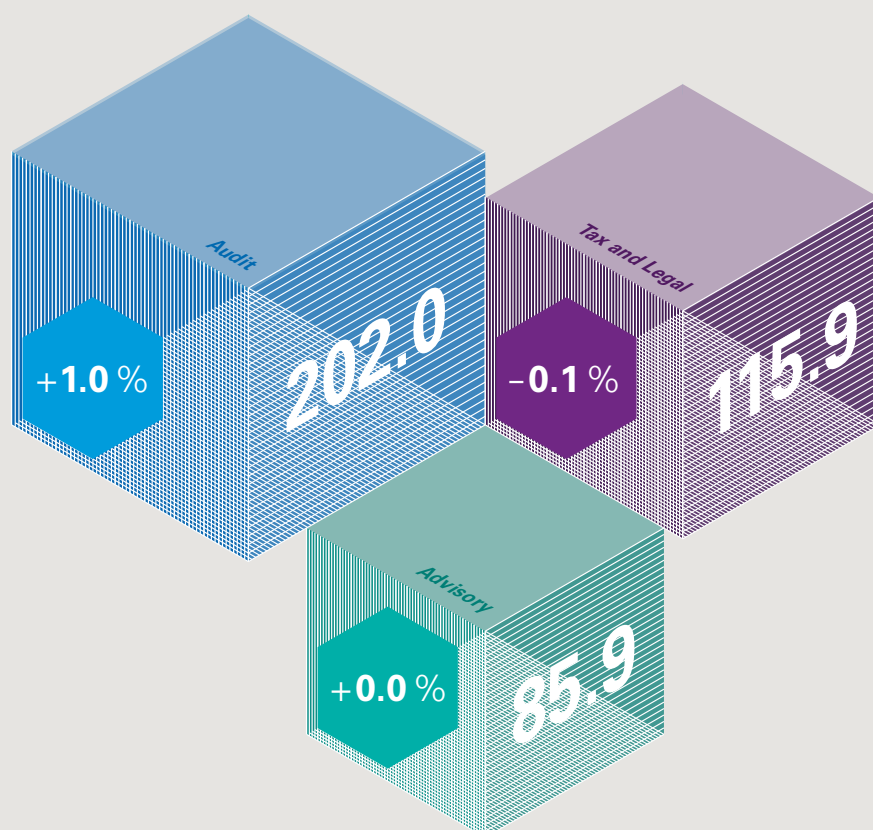
Gross revenues	2016 in CHF million	2015 in CHF million	Change in %
Total gross revenues ²	549.0	541.0	+ 1.5
Total gross revenues ³	686.0		

² Gross revenues include out-of-pocket expenses and services charged through KPMG Switzerland.

³ Total gross revenues taking into consideration services billed to companies with Swiss headquarters.

Net revenues 2015/16

Total: CHF 403.8 million



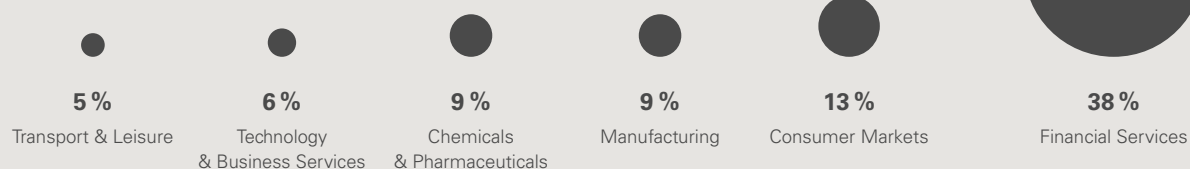
Net revenues ¹	Share of revenues in %	2016 in CHF million	2015 in CHF million	Change in %
Audit	50.0	202.0	200.0	+1.0
Tax and Legal	28.7	115.9	116.0	-0.1
Advisory	21.3	85.9	85.9	+0.0
Total net revenues¹	100.0	403.8	401.9	+0.5


People	2016 FTE	2015 FTE	Change in %
Total FTE as of 30 September 2016	1,815	1,746	+4.0

¹ Net revenues refer to services rendered by KPMG Switzerland.

The most important sectors

Net revenue for 2015/16





A commitment to sustainability and social engagement is one of KPMG's key values. We invest in corporate responsibility on a regular basis in order to fulfill this value outside of our core business.



Emissions

CO₂ neutral since 2011



Energy consumption

Reduction of 33.2% since 2008

Energy sources: 95% natural gas / 5% bio gas



Water consumption

Reduction 2015: 12.3% = 781,000 liters



Paper consumption

Reduction 2015: 31.7% = 4 million sheets



Pro bono services



1,238

working hours

INTERNATIONAL EXPERTISE

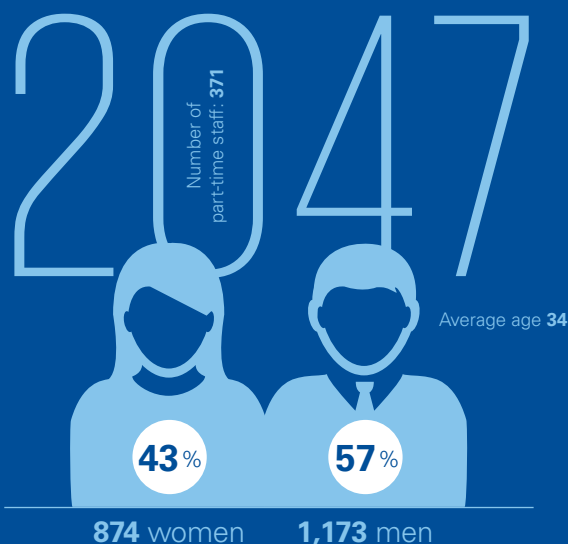


NATIONALITIES ARE REPRESENTED
AT KPMG SWITZERLAND



As of 30.9.2016

NUMBER OF STAFF



NUMBER OF TRAINING HOURS



Success rate for
Swiss Certified
Tax Expert diploma
exam



KPMG Switzerland

Accountant diploma exam



KPMG Switzerland

270

university graduates joined KPMG Switzerland

Health-Initiative

Employee health and wellbeing is a central to our high-performance culture. As a responsible employer, KPMG supports its staff with a number of internal initiatives such as health checks, sporting events, flu vaccination and workshops.



Board of Directors and Executive Committee

The leadership at KPMG is responsible for managing the firm and creating the ideal conditions to steer the company successfully in a market- and client-oriented manner.

Board of Directors

From left to right

Roger Neininger

Chairperson of the Board of Directors

- Swiss Certified Accountant
- Chairman of the KPMG Foundation board

Hélène Béguin

Member of the Board of Directors

- Master's degree in Business Administration
- Swiss Certified Accountant
- Member of the Advisory Board of the Swiss National Bank for the Cantons of Vaud and Valais
- Delegate of Vaudoise Chamber of Commerce and Industry

Stuart Robertson

Member of the Board of Directors

- Master's degree (Hons) in Modern Languages, University of St. Andrews
- Diploma in Accounting, Heriot-Watt University
- Institute of Chartered Accountants of Scotland
- Swiss Institute of Certified Accountants and Tax Consultants





Executive Committee

From top to bottom

Lukas Marty

Head of Audit

- lic. oec. HSG
- Swiss Certified Accountant
- Board member of the association IFZ

Peter Uebelhart

Head of Tax

- lic. oec. HSG
- Swiss Certified Tax Expert
- Member of the Tax Commission of EXPERTsuisse
- Member of the Tax Chapter Swiss American Chamber of Commerce

Anne van Heerden

Head of Advisory

- Certified audit expert in Switzerland
- Postgraduate Accountancy, University of Amsterdam
- Certified Fraud Examiner (CFE)
- Member of the Global Advisory Steering Group
- Member of the EMA Advisory Leadership Team

Philipp Hallauer

Head of National Quality & Risk Management

- lic. oec. HSG
- Swiss Certified Accountant
- Head of KPMG's Audit Committee Institute

Jörg Walker

COO/CFO

- lic. iur. HSG
- Swiss Certified Tax Expert
- Member of the Finance and Tax Commission of economiesuisse

Stefan Pfister

CEO

- lic. oec. HSG
- Postgraduate Diploma in Corporate Real Estate Management, European Business School (EBS)
- Accredited valuation expert FINMA
- KPMG Global Board
- KPMG Global Council
- KPMG EMA Regional Board
- Member of the Royal Institution of Chartered Surveyors (MRICS)
- Member of the European Public Real Estate Association (EPRA)
- Board member of economiesuisse
- Board member of EXPERTsuisse

Philipp Rickert

Head of Financial Services

- Lic. oec. and lic. iur. HSG
- Swiss Certified Accountant
- Accredited Lead Bank Auditor (Swiss Financial Market Supervisory FINMA)
- Board member of EXPERTsuisse

Partners

Our partners are proven consulting and audit experts who lead the firm with outstanding technical knowledge, integrity and personal engagement – our choice for your success.

Thomas Affolter

Zug

Ulrich Amberg

Zurich

Stefan Andres

Bern

Anthony Anzevino

Zurich

Elizabeth Barendregt

Geneva

Hélène Béguin

Geneva

Reto Benz

Zurich

Patricia Biemann

Zurich

Jürg Birri

Zurich

Michael Blume

Zurich

Claudio Boller

Basel

Thomas Bolliger

Zurich

Mathias Bopp

Zurich

Matthias Bossardt

Zurich

Herbert Bussmann

Zurich

Helen Campbell

Zurich

Debbie Carver

Zurich

John Carver

Zurich

Cataldo Castagna

Zurich

Tara Collins Vieli

Zurich

Peter Dauwalder

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Reiner Denner

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Ralph Dicht

Zurich

Dietmar Dold

Zurich

Hieronimus T. Dormann

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Reto Eberle

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Jean-Luc Epars

Geneva

Charles Errico

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Lausanne

Peter Fatzer

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Lennaert Galesloot

Zurich

Olivier Gauderon

Geneva

Marc Gössi

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Christoph Gröbli

Zurich

Ivo Gut

Bern

Kurt Gysin

Zurich

Daniel Haas

Zurich

Philipp Hallauer

Zurich

Rolf Hauenstein

Zurich

Charles Hermann

Zurich

Michael Herzog

Zurich

Christian Hintermann

Zurich

Hartwig Hoffmann

Zurich

Chris Hogan

Zurich

Lorenzo Job

Lugano

Astrid Keller

Zurich

Patrik Kerler

Zurich

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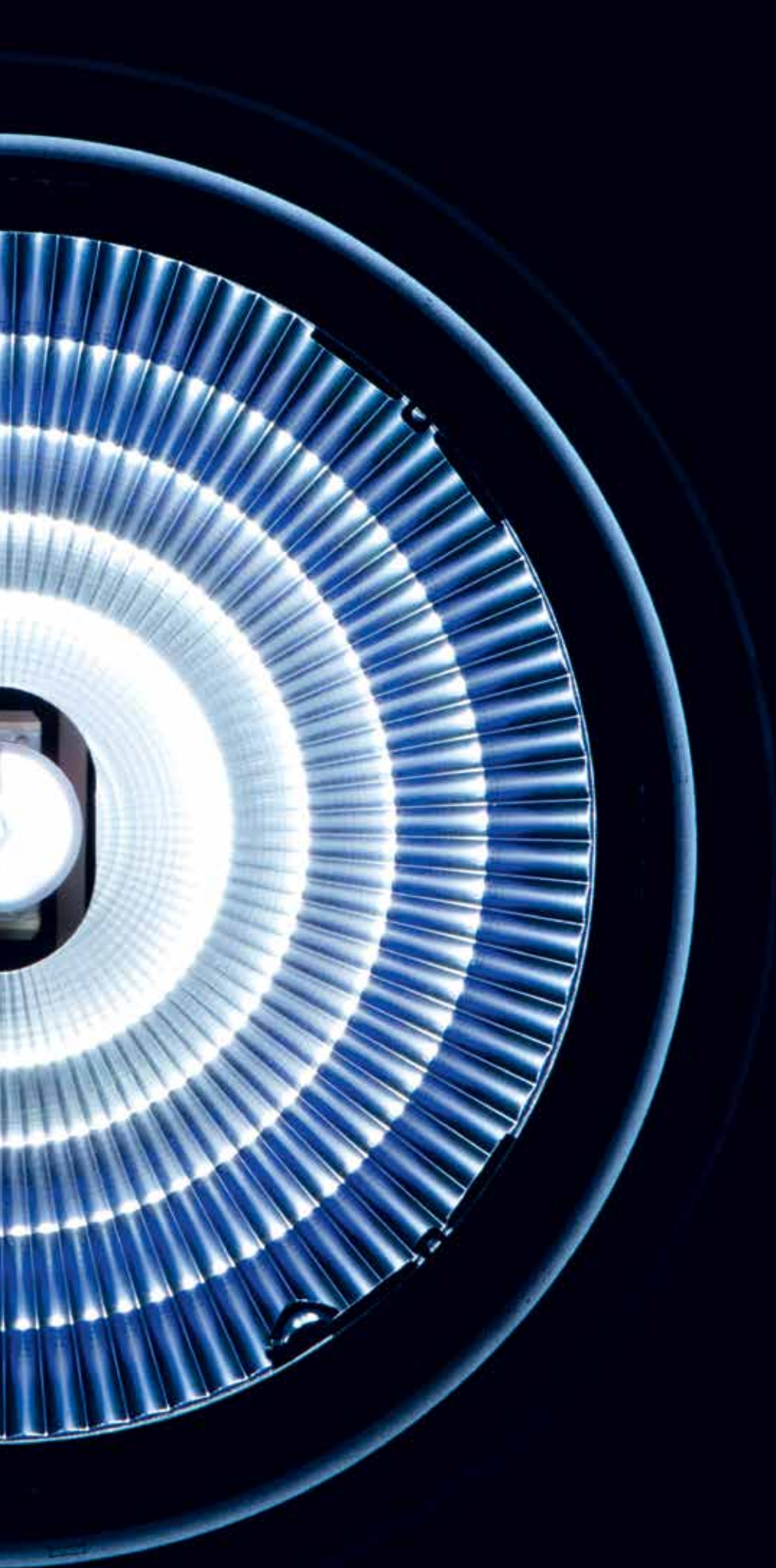
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