

Main results for Romania of
PwC Global CEO Survey 2024

Thriving in an age of continuous reinvention

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About PwC Global CEO Survey

For 27 years, PwC's Global CEO Survey has been providing the leaders of organisations, governments and the business community around the world with unique insights into global CEOs' business visions and decisions. Traditionally, the survey results have been presented at the opening of the annual meeting of the World Economic Forum in Davos, Switzerland, and consistently have provided topics of relevance to the debate on international economic trends.

For the survey's 27th edition, PwC surveyed 4,702 CEOs in 105 countries (including Romania) from 2 October through 10 November 2023 on the most important issues facing society today. The global report can be accessed at ceosurvey.pwc

The results for Central and Eastern Europe are based on responses from 111 business leaders in the region. The 13th edition of the key findings report for Romania explores the views of 51 CEOs in our country who responded to the online survey.

Note: Not all percentages in charts add up to 100% - a result of rounding percentages, multi-selection answer options, and the decision in certain cases to exclude the display of certain responses, including "other", "none of the above" and "do not know".

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Adam Krasoń
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As inflation shows signs of easing and business leaders get used to running their businesses in volatile macroeconomic conditions, CEOs are slightly more optimistic about the growth prospects for the global and domestic economies than they were a year ago. However, their concerns remain, as evidenced by a downward trend in confidence in the performance of their companies, both in the short term (12 months) and over a longer time horizon (three years). Moreover, their main concern is now shifting to the long-term viability of the business, with an increasing number of CEOs lacking confidence that the current business model will still be relevant to the market in ten 'years' time.

The imperative to reinvent organisations therefore stems from a realistic analysis of the long-term viability of the business, as well as an in-depth examination of the impending changes brought about by two disruptive megatrends

in particular – artificial intelligence and climate change. The pressure is likely to increase in the coming years.

Given the pace of change, the scale of the megatrend challenges and their impacts on the business environment, established approaches to preparing the organisation for the future may no longer be sufficient. New ways of doing business and creating value are needed (sometimes inspired by completely different industries or fields of activity), new ways of solving problems in uncertain situations (because there are still no clear answers to some questions) and new mechanisms for monitoring progress. For this reason, it can sometimes be more effective for CEOs to involve the whole management team in all aspects of change rather than appointing functional or business unit leaders to deal with different initiatives. It may be necessary to expand the leadership team to include experts in emerging areas critical to the long-term success of the business.

Reinvention should not be perceived as vague or too complicated to achieve, so companies need a clear strategy that includes both the objectives and the key actions and processes they will undertake as part of their radical business model changes. There also needs to be a plan for communicating the reinvention strategy so that all employees understand the urgency of the change and can contribute to finding solutions. People who are highly competent in their field often resist change because they fear they will not be good at what is required of them in the future. CEOs need to identify and discuss employees' concerns, cultivate their curiosity and openness to learning, and encourage managers to help their own teams to adapt.

As we enter the era of continuous reinvention, CEOs have a unique opportunity to reshape their organisations and themselves to thrive in an increasingly complex and often hostile environment, and to contribute to the sustainable development of society as a whole.

As every year, we would like to thank all the business leaders in Romania who accepted the invitation to join the discussion platform around the PwC Global CEO Survey and who contributed with their responses and opinions to the 13th edition of the country report, which contains the key findings for Romania. As always, we are honoured to make their views heard.

Perception of CEOs in Romania

Ambitions for growth

53%
expect global economic growth to **slow** over the next 12 months

47%
expect national economic growth to **slow** over the next year

37%
are **very or extremely confident** about their company's revenue growth prospects over the next 12 months

25%
rank **Germany** as one of the three most important countries for their business growth prospects

37%
expect their company's headcount to **increase** over the next 12 months

57%
expect prices of products or services in their portfolio to **increase** over the next year

Threats to business

80%
believe their organisations have moderate, high or very high exposure to **inflation** over the next 12 months

The reinvention imperative

59%
believe their company will be economically **viable** in ten years' time

37%
say that the **development of new products and services** has had a great or very great impact on how the company has created and delivered value over the past five years

61%
believe that **technological innovation** will change the business model to a great or very great extent in the next three years

41%
plan to make at least **one acquisition** in the next three years

47%
say the **regulatory environment** is preventing companies to a great or very great extent from changing the way they create and deliver value

53%
say they reallocate **more than 10%** of financial and human resources between different activities within the company year on year

39%
of time spent in **strategy and decision-making meetings** in the organisation is used inefficiently

Artificial Intelligence – opportunities and challenges

53%
agree that generative artificial intelligence will significantly change the way the organisation **creates and delivers value** and will also increase **competition** over the next three years

51%
expect generative artificial intelligence to increase **their own time efficiency** over the next 12 months

55%
agree that generative artificial intelligence could lead to an increase in **cybersecurity risks** in the next 12 months

Prioritising climate change

65%
say their organisation is taking action to **improve energy efficiency**

47%
say their organisation **has accepted lower levels of profitability** for environmental investments in the last 12 months

35%
believe that **regulatory complexity** is a major or very major barrier to their organisation's ability to eliminate carbon emissions as part of its business model

Inside the mind of the CEO

As every year, the PwC CEO Survey 2024 report for Romania is intended to be a barometer of the level of confidence of CEOs in our country about the evolution of their organisations.

The 13th edition of the report with the main findings for our country tries to capture a snapshot of CEOs' mindset and gain an understanding of the pressures they face in a changing environment with more and more priorities set by various stakeholders.

To provide our country's business community with useful information on current opportunities and a look ahead, we invited some of Romania's most prominent business leaders to share some of their strategic actions in the face of the challenges they face. Thus, during February and March 2024, we asked them to answer three questions, namely:

- What is the biggest short-term opportunity for the business you run; and your biggest concern?
- What does reinventing and transforming the business mean to you as CEO and the company you lead?
- Have you considered integrating generative artificial intelligence (GenAI) into your company, and if so, in what areas/ departments? In your opinion, could GenAI be a solution to the talent shortage?

We thank the CEOs for their willingness to give us some of their time and invite you to read in the pages of the report some of their priorities and the actions they will be taking in the coming period.



Inside the mind of the CEO

Ömer Tetik
CEO Banca Transilvania



Our focus is to execute the year 2024 as we have accustomed shareholders and clients – results, client service and impact on the country's economy. At the same time, we are looking carefully at the consolidation of the banking system, considering the status of the OTP Bank Romania's acquisition, for which we signed a commitment in this regard in February, and now we are waiting for the authorities' approvals for the transaction. It is a period in which we are also counting on organic growth while maintaining the dynamism of the bank, and in which operational excellence and the best services are a priority. Our concern is finding, training and adapting people to new service flows and models.

For us, reinvention means we want to be proactive about adapting to customer and shareholder expectations so that we deliver the best products for customers and above-average market results for shareholders. It is necessary to anticipate the opportunities and risks in the market, to capture the value from them. That is, we keep one eye on the present and one eye on the future, we allocate resources ambivalently, following both horizons.

Over the years, BT has marked several reinventions. One of them was the stock exchange listing, almost 30 years ago, which came with responsibilities, especially regarding the transparency of the activity and financial performance, but also with advantages, such as the financial one, considering the flow of money from investors to entrepreneurs who need capital. Another example of reinvention was the acquisition of Volksbank Romania, which is an M&A best practice and gave us the courage to continue, given that it was followed by the purchase of Bancpost and Idea::Bank by Banca Transilvania.

And we, at Banca Transilvania, are paying attention to how artificial intelligence (AI) and other technologies (e.g. robotic process automation – RPA) impact or could change the customer experience and the operational efficiency of bank and industry processes.

We look at the subject rather as an opportunity to be a first mover and thus gain a competitive advantage in terms of services or cost of operations. We have also had successful implementations that are already operational. On the large language model side, an example is Ask BT, the largest public database of banking information, where we implemented AI. AI also helps us to classify complaints that come through the call centre so that they can be taken over by our colleagues as quickly as possible. If I am referring to RPA, I have automated processes or parts of processes, especially in the area of credit, garnishments and payments.

In the short and medium term, I see significant opportunities especially in the interaction with customers through the call centre and applications, in the area of online safety of money and personal information, but also regarding credit decisions. However, in the short term, I do not think AI and automation can solve the systemic talent shortage problems we have. Here I think we need a national policy which approaches the problem from several perspectives – from creating the premises for Romanians from the diaspora to return home, to coherent policies to attract and integrate emigrants with a superior skill set, and until the improvement of demographics.



1. Ambitions for growth

Growth prospects for the global economy

Compared to the previous edition of the survey, this year CEOs are more optimistic about the global economy, as their concerns about threats to the business environment have reduced slightly. But the percentage of executives expecting economic growth to pick up is lower than the record highs recorded in 2021 and 2022.

Globally, the percentage of CEOs expressing optimism about the global economy's growth prospects has doubled. Thus, 38% of CEOs expect global economic growth to pick up in the next 12 months, compared to 18% in the previous edition of the survey. The share of executives expecting global economic growth to slow is down to 45%, a significant drop from last year's record high of 73%.

In Central and Eastern Europe (CEE), there are clear signs that confidence in the global economy is returning. CEOs in the region are more optimistic about global economic growth than their global counterparts. The 43% of respondents who expect growth to pick up is almost three times what it was a year ago (16%), and it is also higher than the share of business leaders who expect growth to decline this year (40%).

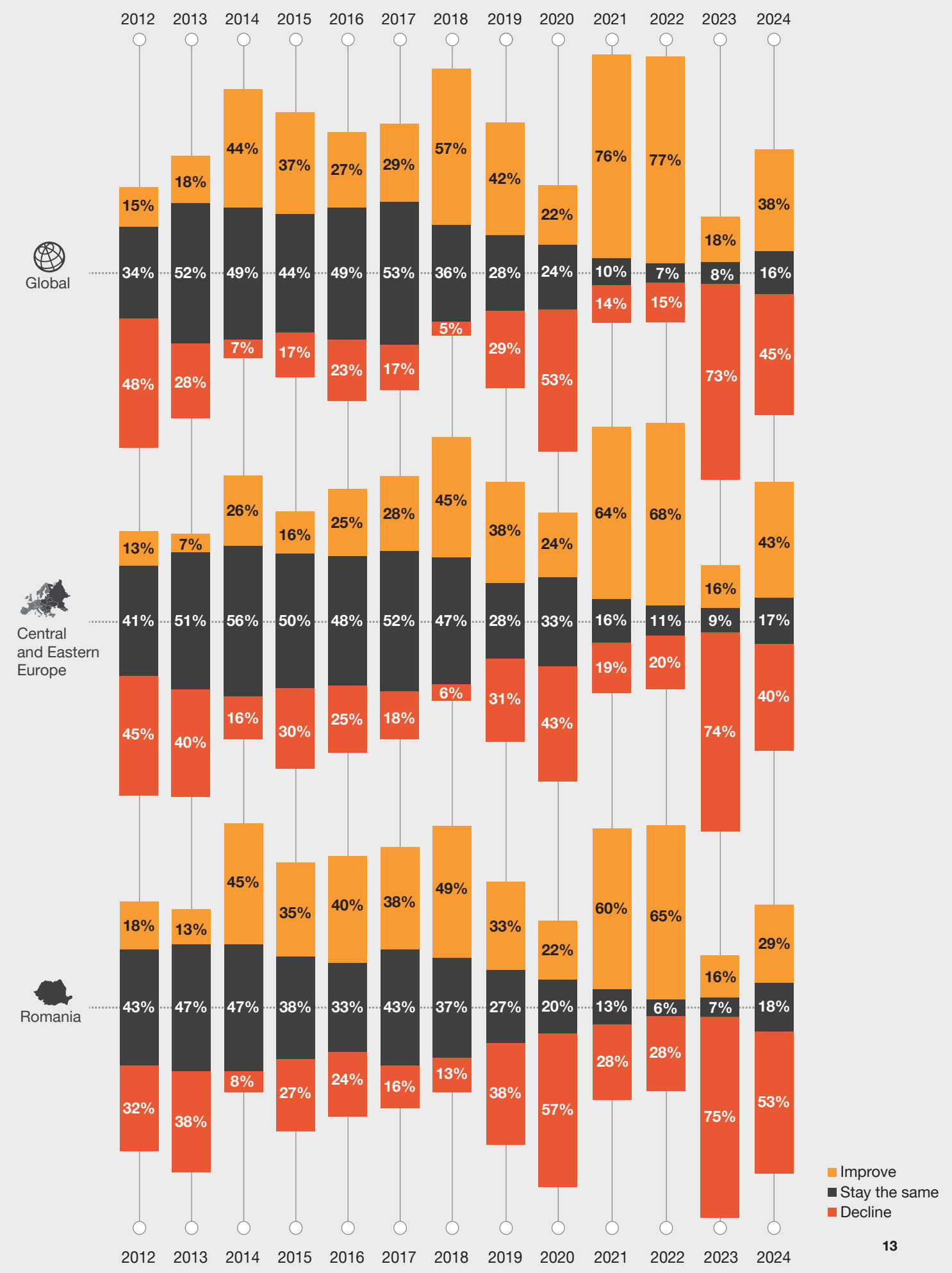


Romanian business executives are be less confident than their global and regional counterparts. Less than a third (29%) of Romanian respondents expect the global economy to grow faster, while more than half (53%) of Romanian executives expect it to slow.

The fact that the share of CEOs expecting a slowdown in global economic growth remains higher this year than those expecting an acceleration, both globally and in our country, shows that the optimism of organisational leaders is limited and the economic situation is still fragile.

CEOs are significantly more confident than last year that the outlook for the global economy is improving

How do you believe economic growth will change over the next 12 months in the global economy?



National economy performance

CEOs are also more optimistic about their own national economies than they were a year ago, but their confidence levels are still far from the record highs seen in the 2022 edition of the survey.

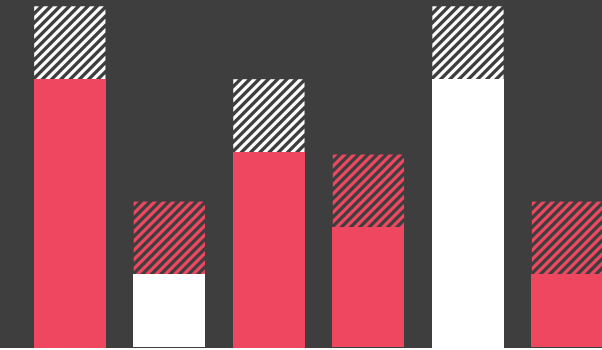
Globally, and particularly in CEE, the percentage of business leaders who expect their national economies to grow more strongly remains significantly higher than the percentage who expect the opposite.

Romanian CEOs are much more cautious than their global and regional counterparts, with 37% of respondents in our country believing that economic growth will pick up (26% a year ago). But at the other end of the scale, almost half (47%, down from 62%) expect growth to slow.



Inside the mind of the CEO

Volker Raffel
CEO E.ON Romania



The energy transition to the new decentralized, carbon-free energy world is undoubtedly the biggest opportunity for the energy industry, but also the biggest challenge. E.ON is one of the largest energy infrastructure operators in Europe and an energy solutions provider for around 48 million clients. These are the two main segments of our business, which ideally position us to be a leader in the European energy transition.

On the way to the climate neutrality, our clients need decentralized, sustainable and, above all, efficient smart solutions. E.ON solutions mean customized offers that meet these requirements. As a partner for heating, cooling, power generation and energy efficiency solutions, our goal is to reduce carbon dioxide emissions and, at the same time, to lower the energy costs for our clients.

For example, in the heating area, our solution with condensing boilers, which bring savings of up to 30% on the gas bill, has been chosen by tens of thousands of clients. We also focus on sustainable heating, offering heating solutions with heat pumps. The market is still more timid in Romania, but we aimed to be as present as possible here as well.

Last year we continued to install photovoltaic systems to household clients, more than 1/day, and we reached 1,265 installed solar systems, beginning with 2020, since we have launched this solution on the market. With the relaunch of the Casa Verde program, we want to strongly accelerate this year as an AFM authorized installer.

Regarding the photovoltaic generation solutions for companies and municipalities, the PV plants number completed in 2023 was 161, the total

installed capacity being 32 MWp, and the energy production of 38 GWh/year. At the end of the last year, our portfolio of photovoltaic generation projects thus reached 359 completed projects. At the moment we have another 40 similar projects underway.

On the e-mobility side, in 2023 we installed 201 charging points for electric cars. We reached a total of 441 charging points, and for this year we aimed to install another 250.

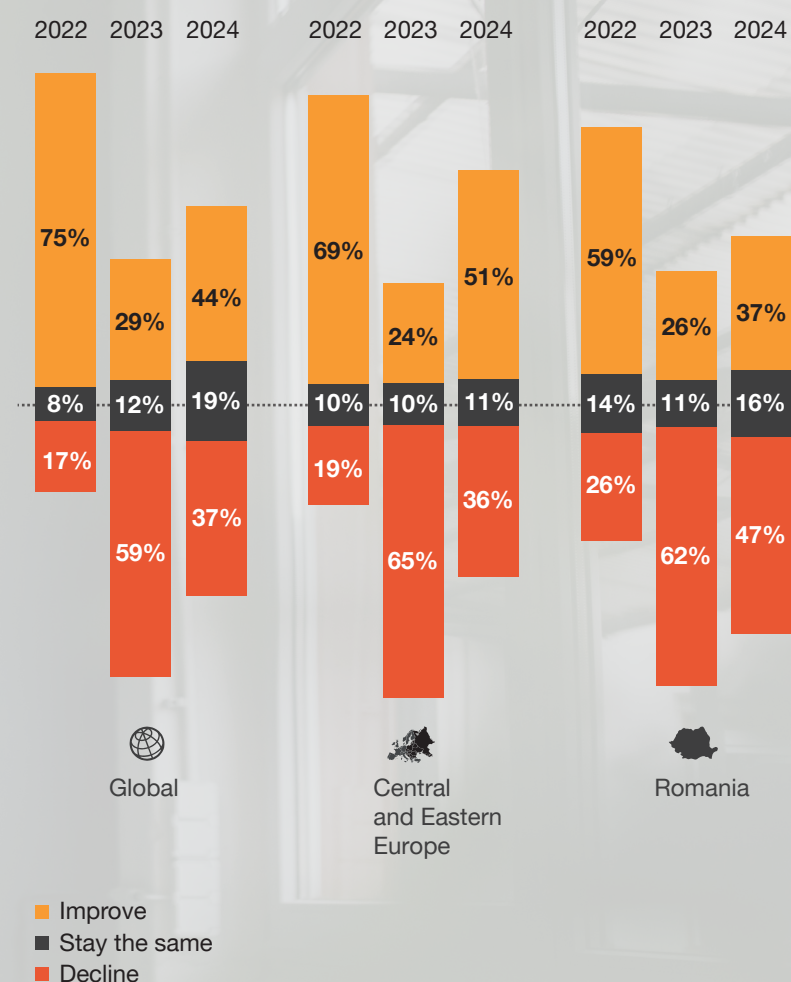
E.ON is also active in the area of the renewable electricity decentralized generation, and we have already signed several contracts in Romania as well for the construction and operation of photovoltaic power plants for partners under PPA type contracts, because we want to be as present as possible in this expanding area of the market. We are also looking carefully at other opportunities that may come, such as green hydrogen production and storage.

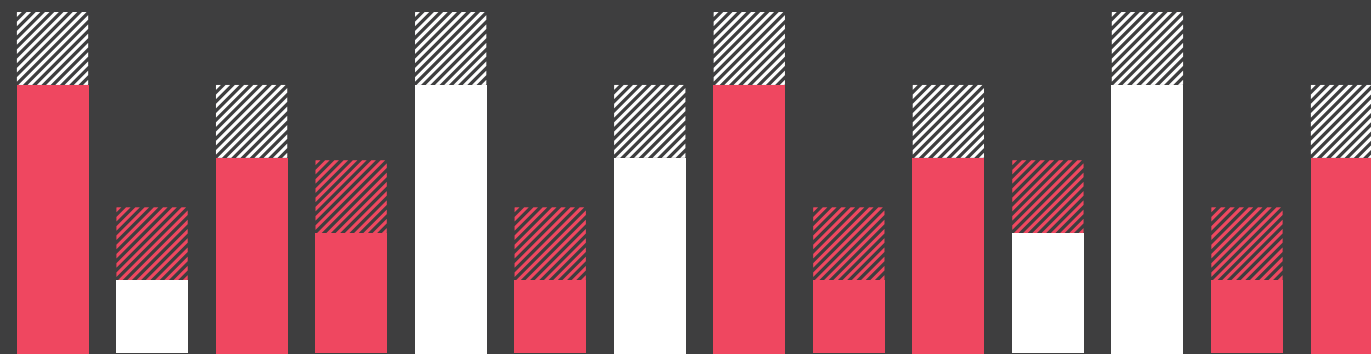
Regarding the biggest concern, it is related to the current regulatory framework of the distribution activity, which does not support the grids necessary investments. Right now, the grids should be the energy absolute investment priority.

We want to invest in grids even more than the record amounts we have already invested in the past years. And Romania has that once-in-a-lifetime chance to attract European money and still has the necessary workforce. But this mechanism must be carefully adjusted because, to be eligible for European funds, the distributors must also invest from their own funds. And these investments must be recovered through distribution tariffs.

Confidence in the development of national economies has increased since 2023

How do you believe economic growth will change over the next 12 months in your country?





Unfortunately, this argument was not considered when the electricity distribution tariffs for 2024 were approved. These are significantly below the level that would allow us to boost grids investment and, even worse, call into question the advantage to invest in projects financed by EU funds.

The next regulatory period for gas and electricity grids starts in 2025 also, and that means we need to discuss now the investment framework for the next five years.

Because I repeat, with the right investment framework for the next five years, we will be able to bring cheaper and cleaner energy into the energy system and to the consumers' homes.

The Romanian electricity system is for around 10.000 MW, but only in last year and this year around 3000-4000 MW PV and wind are connected: to the distribution grid! Only if the grid urgently is strengthened, the electricity can flow into the system – otherwise all these so much needed investments would be wasted and the electricity price would remain unnecessarily high.

The future cannot be other than sustainable, green and digital. Our future projects will be based on careful analysis of the customer needs and expectations, market trends and energy innovations.

The digital transformation will significantly reshape E.ON's business model. There are some key trends that will influence the evolution of our company, which will be more connected and client oriented. Artificial Intelligence (AI) and automation will optimize the internal

operations and will play a crucial role in data analysis that underpins strategic decisions. Decentralized trading of energy may also become possible through platforms based on blockchain technology, increasing cyber security and reducing the fraud risk. Augmented and virtual reality is another key trend; AR and VR technologies will be used to train the employees and also give the customers a virtual experience of their homes. The Internet of Things (IoT), i.e. the integration of smart sensor networks will allow real-time monitoring and the control of the energy infrastructure, and the connected devices will provide a detailed picture of energy consumption, facilitating energy optimization and cost reduction.

For the near future, on the supply side we are focusing on improving the customer experience in the dedicated interfaces key areas: managing consumption, understanding, and paying bills. For the E.ON Myline platform we are preparing a new concept, a major change in the way the functionalities are presented and accessed with a new set of interaction capabilities for energy efficiency products. The www.eon.ro platform will move from an individual presentation and sale to an e-commerce platform model, and thus we will add the possibility of products personalization by customers, according to each one's needs.

In the distribution area, digitization means, first of all, smart grids, i.e. network observability and controllability, and for this year we are considering the implementation of new IoT sensor technologies. Thus, in the area of electricity, we will focus on ADMS projects -

advanced distribution management system, MDM/MDC - measurement data management/ data acquisition management and the IoT sensors placement into transformation stations.

On the natural gas side, we are considering installing IoT pressure sensors at the ends of the grid and running a pilot project related to smart gas meters. Another important aspect is the cross-system data handling, such as for example on the electricity side IoT data and smart meter data, which give us a complete picture of the networks condition or on the gas side smart meter, pressure variations and the customers data, which give us an early warning of potential gas leaks from the distribution grids.

This year we plan to implement some AI functionalities in the customer services area using ChatGPT4 Turbo and Vision. I would start with the Knowledge Base Platform – which provides us and our customers fast, complete, and accurate access to general or customized information. The AI-generated Email dispatching/classification/categorization/response application aims to supply quick and correct input to the customers, but also helps our colleagues in analyzing and generating feedback to those.

So, in the area of customer services, AI will help us to improve the services quality and the customers experience, but it is not a viable option for our ground activities on the electricity and natural gas distribution side where the specialist's intervention is required and whose work cannot be replaced.

We have noticed a shortage of human resources having specific technical skills asked by the sector we operate in, and this is the reason we support young people by employment

opportunities and professional and personal development programs. We focus on a suitable to the needs onboarding and on existing internal or new capabilities development, but also on partnerships with technical profile schools, either for practice or for dual education.

We don't stop there; for technical skills development we have two professional education centers, one dedicated to the natural gas distribution and one for the electricity distribution, where, by annual development programs, hundreds of employees can update their own technical knowledge.

About E.ON România:

The German group E.ON is one of the leaders of the energy market, having a consolidated presence in Romania over 19 years. The flagship companies of the group are Delgaz Grid and E.ON Energie Romania, which carry out electricity and natural gas distribution activities for 3.6 million customers, respectively providing energy and energy solutions for about 3.4 million customers. Since entering the Romanian market, E.ON has invested over EUR 2.3 billion, mainly in grid modernization. At the same time, the value of the contributions transferred to the state and local budgets amounts to EUR 3.4 billion.

Confidence in own business growth

In 2024, the downward trend from the previous year in confidence in the prospects for their own company's revenue growth continues, both in the short term (12 months) and over a longer time horizon (three years).

Compared to last year, global CEOs have lower expectations for revenue growth, reflecting uncertainty about how they will manage today's societal megatrends. Of them, 37% say they are very or extremely confident about the prospects for increasing the size of their business over the next 12 months, down from 42% in the previous edition of the survey. When the time horizon is extended to three years, the level of optimism remains significantly higher, with almost half (49%) of respondents betting on business growth.

While their confidence in the economy appears to be returning, CEOs in CEE are less optimistic about their companies' profit growth than they were a year ago. They appear to be slightly more confident than their global counterparts about the prospects for revenue growth over the next 12 months but are slightly less optimistic than their global counterparts over a longer time horizon.

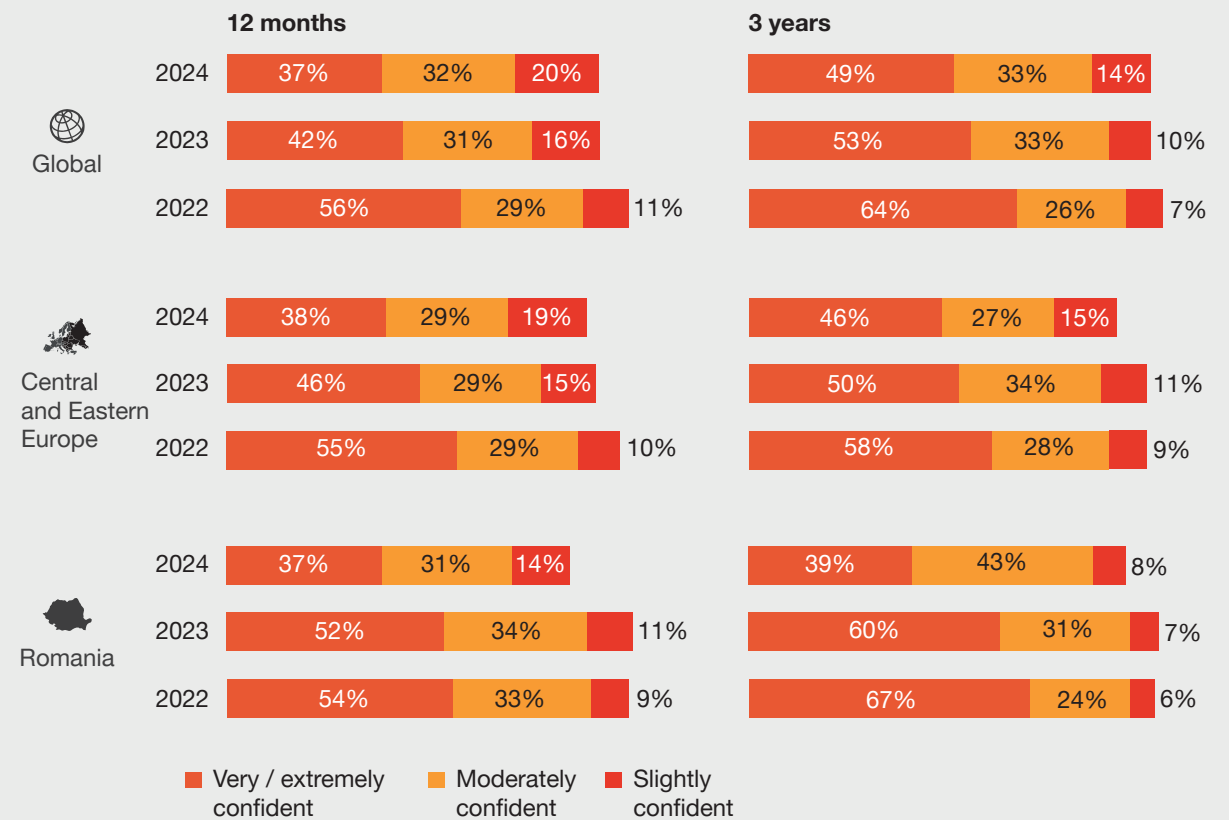
While Romanian CEOs were more confident than their global and regional counterparts last year, the situation is more balanced in 2024, with 37% of CEOs in our country being very or extremely optimistic about the growth prospects of the organisations they lead over the next 12 months. That is down from 52% in 2023 and 54% in 2022.

Over a longer time horizon (three years), only 39% of Romanian CEOs are very or extremely confident about their own revenue growth. That is significantly less than in the previous two editions (60% in 2023 and 67% in 2022) and below this year's global (49%) and regional (46%) averages.

Despite an improvement in expectations regarding the macroeconomic situation, business leaders in our country are more cautious about the development of their companies. This may be due to changes in fiscal and budgetary policy in the final quarter of last year, many of which have had a negative impact on businesses, as well as inflation and the general investment climate.

CEOs are less confident than in previous years about their company's sales growth prospects, over both the next 12 months and the next three years

How confident are you about your company's prospects for revenue growth over the next 12 months and the next three years?



Key markets for growth

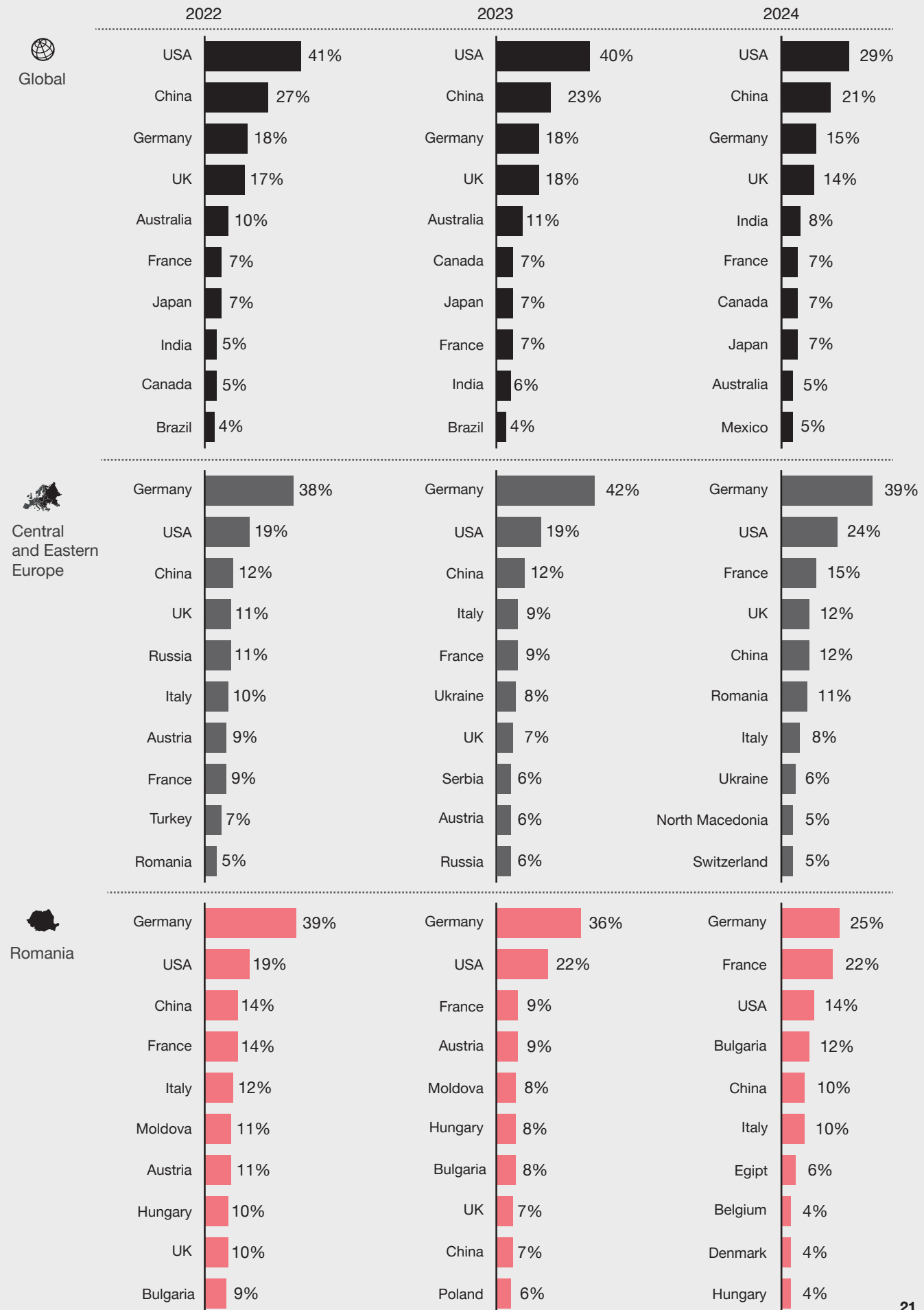
When it comes to plans for cross-border business development, the order of the top four countries as perceived by global CEOs is the same as in the previous three editions of the survey, but the percentage of executives naming them is lower than in 2022 and 2023. The United States remains by far the best market for growth, cited by 29% of respondents, down 11 percentage points from last year. China, traditionally ranked second, is closing the gap, dropping just two percentage points to 21% in 2024. The two economic superpowers are followed by Germany and the UK, which are cited by 15% and 14% of business leaders, respectively, as a priority for driving growth in their own companies. In fifth place this year is India, which has overtaken Australia.

As in the previous three editions of the survey, Germany and the United States take the top two spots in the ranking of countries relevant to the revenue growth prospects of CEE companies. Germany remains by far the most important growth market, according to 39% of the region's CEOs. In second place is the United States, cited by 24% of respondents, up five percentage points from 2023. CEE CEOs are paying more attention to France this year; cited as a priority market by 15% of business leaders (up six percentage points from last year). The UK and China are tied for fourth place, chosen by 12% of respondents, with the UK up five percentage points, while China maintains its share from 2022 and 2023 but drops one position. Romania rounds out the top five key markets this year, with 11% of the region's business leaders citing it as their favourite export destination, ahead of Italy (8%) and Ukraine (6%).

For years, Germany has remained the most attractive foreign market for Romanian business leaders in terms of growth opportunities, cited by 25% of them this year. France is a close second (22%), up one place (and 13 percentage points) since the last edition of the survey. In third place is the United States (14%, down eight percentage points from 2023), followed by Bulgaria (12%), China and Italy (the latter two were each mentioned by 10% of the respondents).

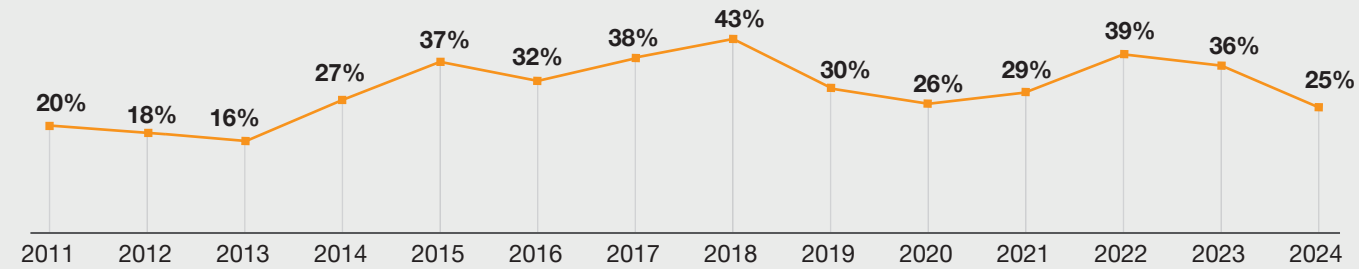
In 2024, Germany, France and the United States will also be the top three countries that Romanian CEOs see as generating growth for their companies – these countries were also identified by their regional counterparts this year as the most important destinations for development

Which three countries (excluding the country in which you are based) do you consider most important for your company's prospects for revenue growth over the next 12 months?



Germany remains the most important market for Romanian companies' growth prospects

The percentage of CEOs in Romania that nominate Germany as one of the most important three countries for their organisation's overall growth prospects over the next 12 months



Changes in headcount and product prices

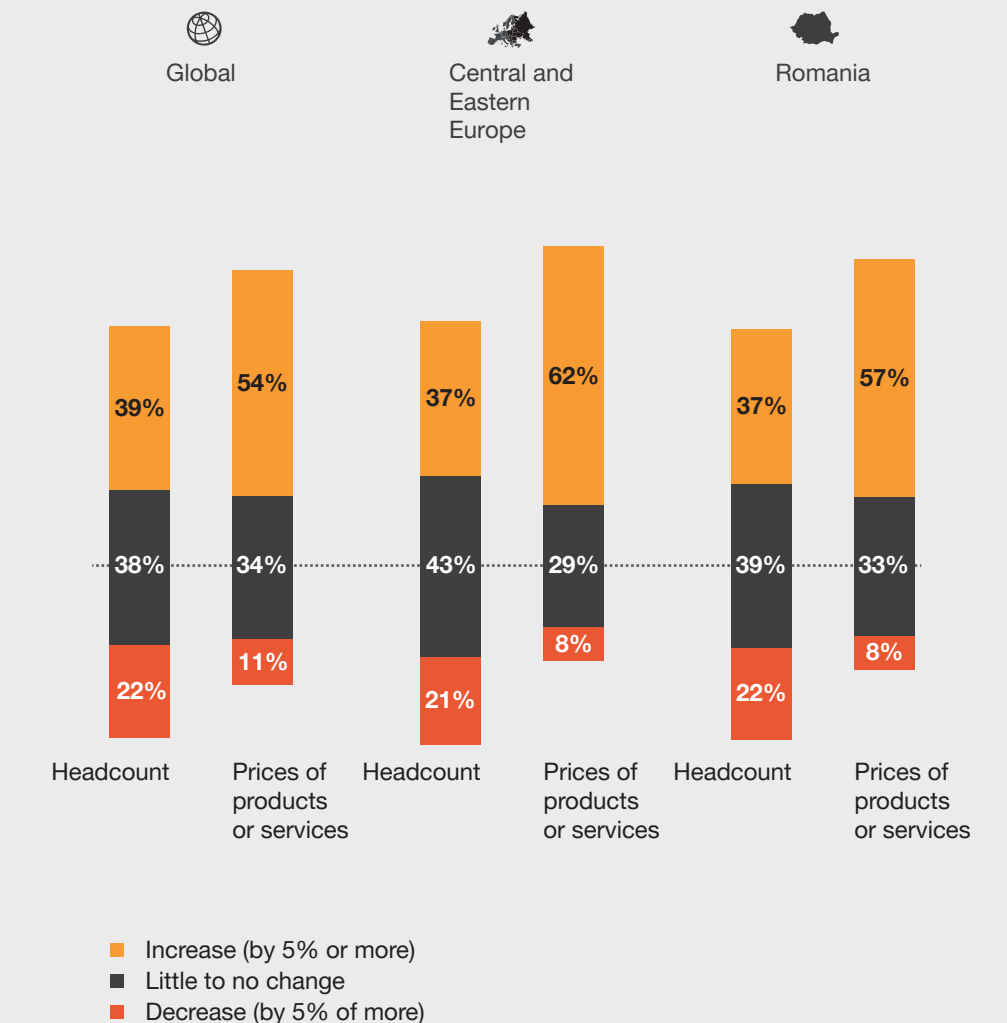
Despite being more pessimistic than a year ago about the development of their own businesses, CEOs continue to see human resources as key to future growth and are planning to recruit accordingly. Nearly four out of every ten business leaders expect the number of employees in their company to increase over the next 12 months. This trend is certainly an encouraging sign that could go some way to offsetting the many predictions that more and more jobs will be replaced by technology, and by Artificial Intelligence in particular.

The widespread, spiralling inflation of recent years has been reflected in rising prices for energy, fuels and raw materials, as well as for finished goods and services. Not surprisingly, more than half of the business leaders surveyed expect the prices of products or services in their companies' portfolios to rise over the next 12 months.



CEOs expect to increase headcount and the prices of products and services

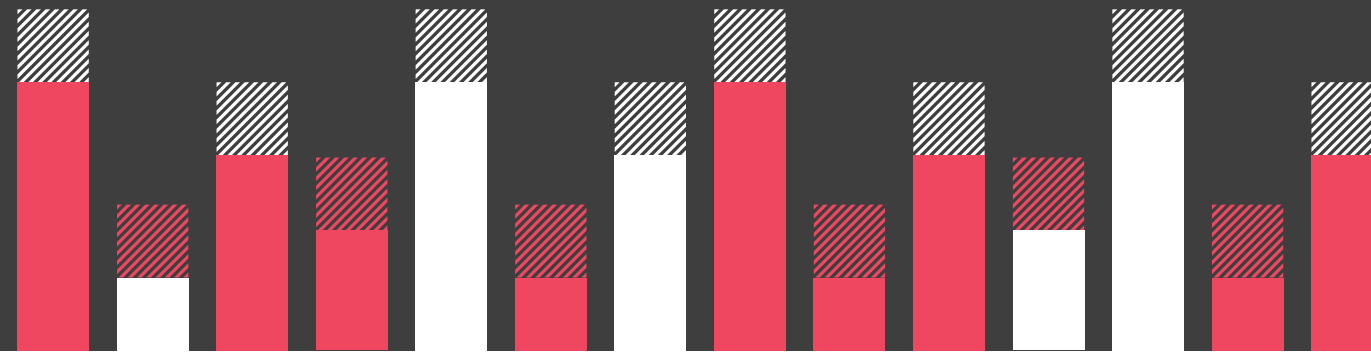
To what extent will your company increase or decrease the following in the next 12 months?





Inside the mind of the CEO

Christina Verchere
CEO OMV Petrom



At OMV Petrom, as the largest integrated energy producer in South-Eastern Europe, our ambition is to lead the region’s energy transition. This comes with huge opportunities and also with challenges. In order to transition our business to a lower carbon one, we are now entering the most intensive investment period in the company’s history. We plan to invest up to 8 bn lei per year for the next 3 years, more than double compared to the annual average of the last 5 years, of 3.5 bn lei.

The other side of the coin is the predictability of the fiscal framework. A recent study shows that, for the energy sector, oil and gas taxation in Romania is four times higher than the European average. This includes royalties and additional specific taxes for both offshore and onshore projects. We need a fiscal framework that is primarily stable, predictable, but also competitive, to be able to support our ambitious investment plan.

The energy Industry is undergoing a huge transformation, in order to be able to respond to society’s increasing demand for energy and at the same to provide our products in a cleaner, sustainable manner. We launched our Strategy 2030 at the end of 2021 with the aim to transform our business for a lower carbon future. This is what transformation means to us. And in order to make that happen, we focus on three pillars: transitioning to low and zero carbon business, growing regional gas and optimizing our traditional business.

2023 was a pivotal year in our strategy delivery. With the final investment decision for Neptun Deep, we entered the development phase of this strategic project for our company and for Romania. We continued to expand our low carbon portfolio. In building our renewable power portfolio², we signed the financing contracts to build 4 photovoltaic parks of 450 megawatts with CE Oltenia and we also purchased 710 megawatts of installed capacity for photovoltaic power projects in Teleorman county.

More recently, we signed the largest acquisition of green projects in Romania: this refers to 1 GW capacity of renewables mostly wind, as well as acquiring Romania’s leading EV charging network, adding to our existing e-mobility portfolio.

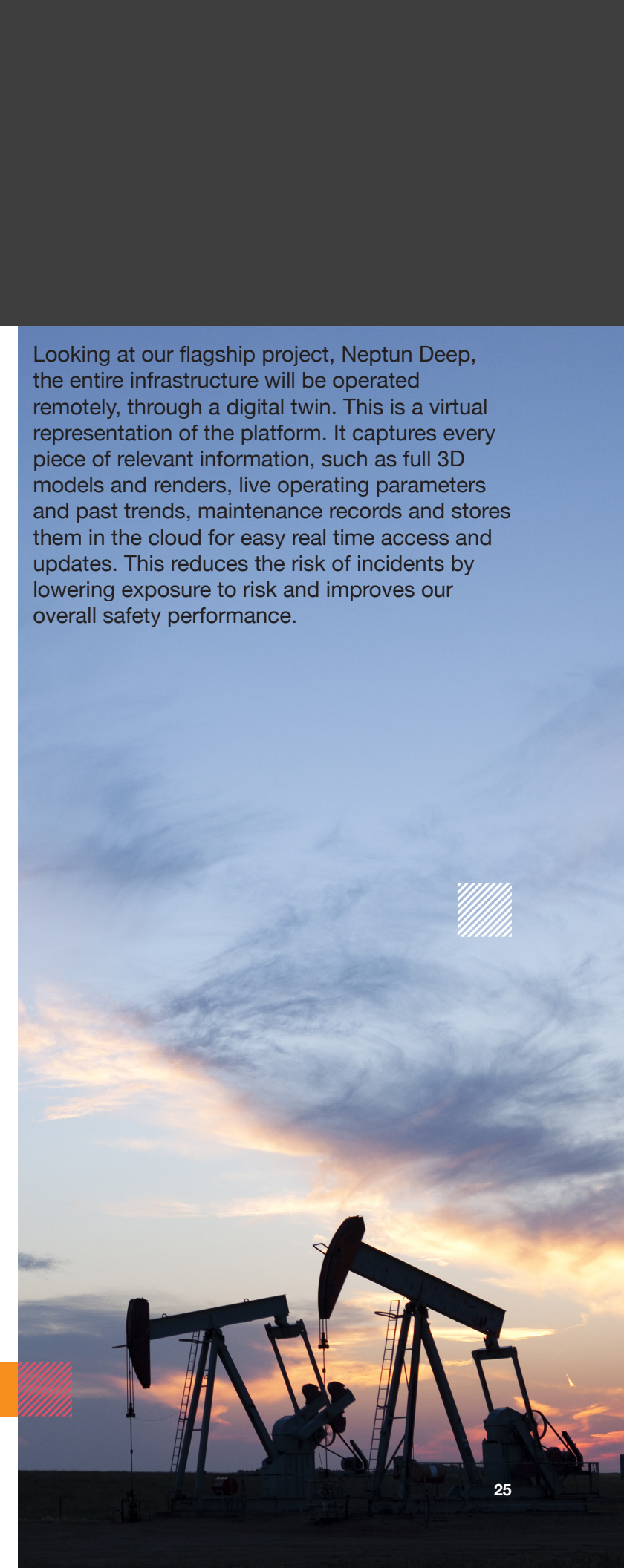
Technological development - new energy solutions and digitalization (incl. automation, machine learning, AI) are both a source of pressure and opportunity. We are actively leveraging digitalization to implement programs that reduce carbon footprint and enhance HSSE capabilities, and also upskill our employees and increase overall efficiency. By automating routine and repetitive tasks, we give the possibility to our people to focus on more strategic, creative, and more value-adding tasks. For example, in Exploration and Production we have implemented programs that reduce manual work and downtime via automated algorithms to assist engineers.

We are also focusing on upskilling our employees, ensuring they are equipped to work alongside AI technologies and can harness their full potential. Since 2020 we have been investing in enabling our colleagues to leverage the benefits of low-code tools such as Microsoft Power Automate and PowerApps. Moreover, Data Science is an important strategic direction for us and in 2022 we started a dedicated training program – “Data Citizen Program” – which showed us the impact we can have through advanced use of data. As a result, we will expand and continue this program in the coming years. As a sub-domain of Data Science, I believe GenAI is here to stay and by the end of 2023 we already had in place an AI-enabled chat. Further opportunities are already in different maturation stages throughout the company.

Regarding AI mitigating the shortage of talents – we are just at the beginning of this technology and its impacts on many aspects of business and personal life are still to be seen.

Within our organisation, we have multiple ongoing initiatives aiming to explore opportunities that GenAI is enabling by assessing its potential to transform our business processes, enhance our customer experiences and drive innovation across all departments. We have ongoing proof-of-concepts on predictive analytics, sentiment analysis, smart chat-bots and metadata extraction.

Looking at our flagship project, Neptun Deep, the entire infrastructure will be operated remotely, through a digital twin. This is a virtual representation of the platform. It captures every piece of relevant information, such as full 3D models and renders, live operating parameters and past trends, maintenance records and stores them in the cloud for easy real time access and updates. This reduces the risk of incidents by lowering exposure to risk and improves our overall safety performance.



2. Threats to business

As a general trend, business leaders feel less threatened by the challenges (economic, geopolitical, social, cyber and climate change) they may face in the next 12 months than they did a year ago.

Similar to last year, climate change risks (physical, regulatory, legal, technological and reputational), health risks (related to pandemics, chronic diseases and mental health disorders) and social inequality issues (including those based on material status, gender, race and ethnicity) are of less concern to business leaders.

Globally, inflation and macroeconomic volatility remain the top two threats to the business environment, as measured by the percentage of CEOs who report that their organisations are at a high or very high risk (in terms of significant financial losses being certain or very likely) from these factors. In third place this year, just behind the top two, comes cybersecurity risks, up one place from the previous edition of the survey, followed by geopolitical conflict (which was in third place a year ago). Compared to the previous edition of the survey, the proportion of executives who perceive their organisations as being at high or very high risk has decreased this year for inflation (down 16 percentage points), changes in macroeconomic indicators and geopolitical conflicts (both down seven percentage points) but has increased slightly for cyber risks (up one percentage point).

Inflation and geopolitical conflict remain the top threats in CEE. The proportion of CEOs in the region who say their company is at a high or very high risk from inflation has decreased from last year (from 55% to 40%), but this is still significantly higher than for their global counterparts (24%). As was the case a year ago, geopolitical issues are the second most important concern for CEE CEOs after inflation. Although companies have already taken some steps to protect themselves from the effects of military conflict, the war in Ukraine remains a concern, with its evolution and full impact still unclear. Nearly a third (32%) of business leaders in the region say their organisations

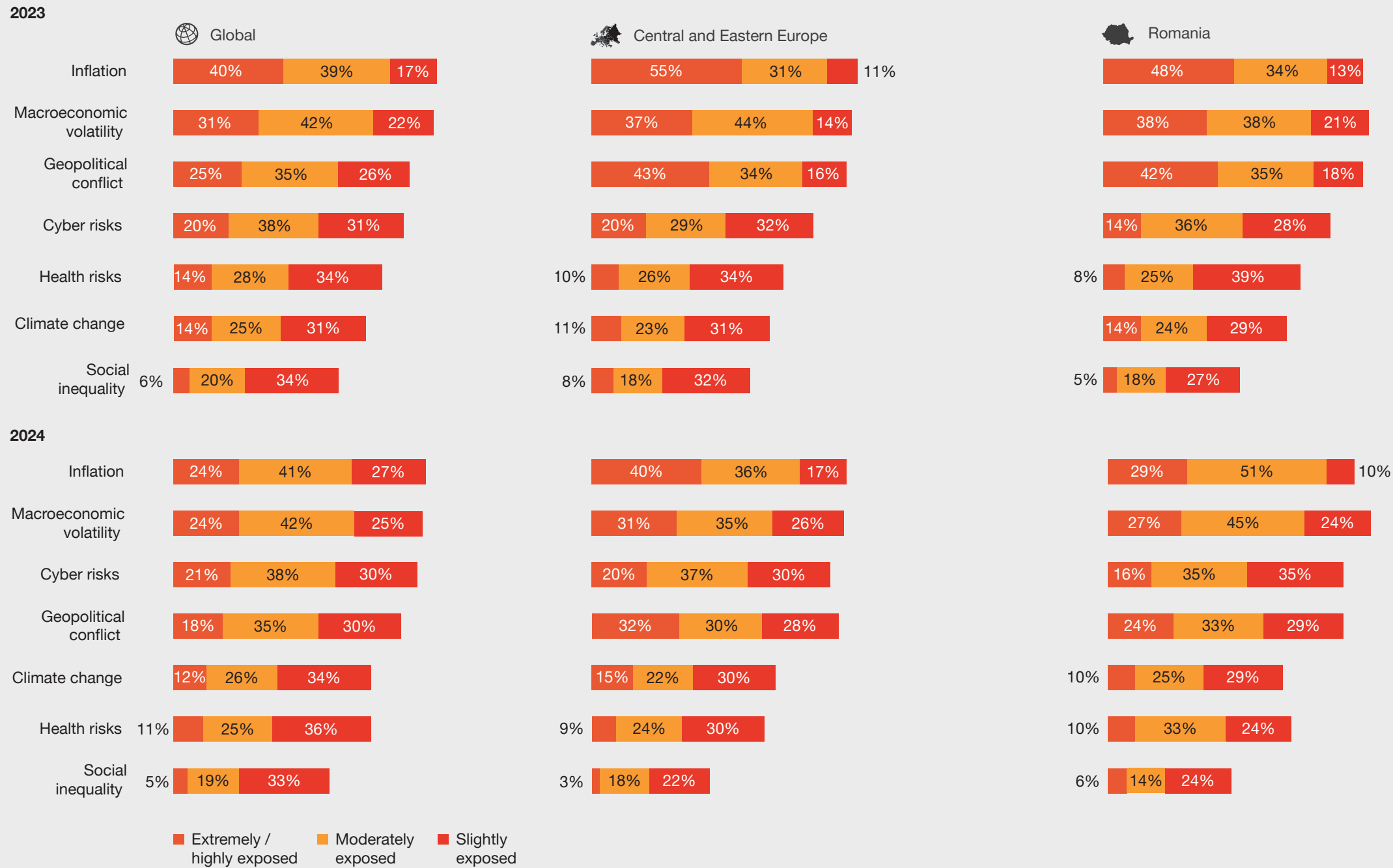
are at high or very high risk from resource and trade disputes, terrorism and interstate violence. Similarly, 31% of CEE CEOs say their companies are very exposed to instability in macroeconomic indicators (GDP and unemployment). Cyber threats (including hacking and disinformation) remain the fourth most important concern for business leaders in the region, with one in five saying their organisations are extremely or very exposed.



In line with their global counterparts, Romanian CEOs' biggest concerns this year are inflation and macroeconomic volatility, with 29% of them rating their company's exposure to rising prices and falling purchasing power as high or very high. Another 51% consider their exposure to be moderate. The second biggest concern this year, based on the percentage of respondents in our country who rate their company's exposure as high or very high, is macroeconomic volatility (27%), closely followed by geopolitical conflict (24%).

Romanian CEOs continue to see inflation, macroeconomic volatility and geopolitical conflict as the main risk factors this year

How exposed do you believe your company will be to the following key threats in the next 12 months?



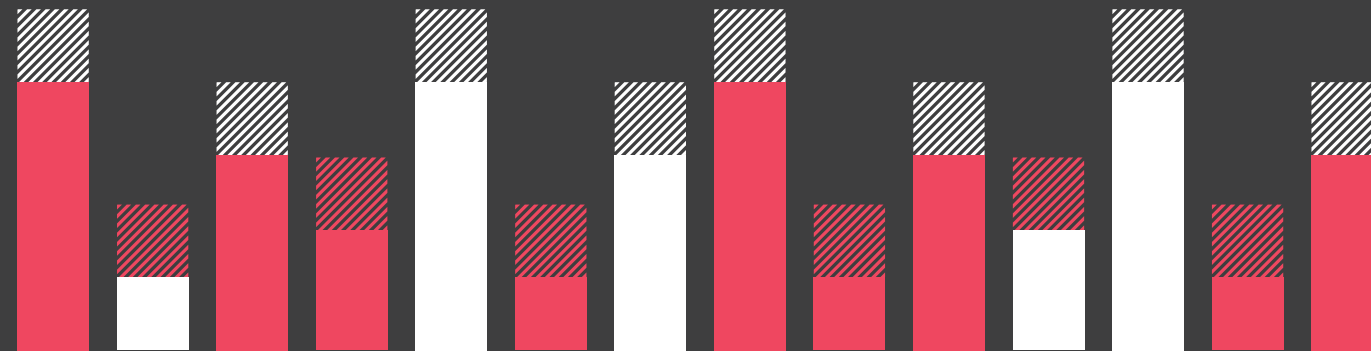
Adam Krasoń
CEO
PwC Central and Eastern Europe

“The CEE results of our survey suggest to me that business leaders in our region are aware of a need to respond to rapid change, but take a measured and practical approach to leading their organisations. CEOs in CEE show an ability to remain steadfast in uncertain geopolitical times and in the face of megatrends such as climate change and technological disruption— even with respect to the promises and threats of Generative AI.”



Inside the mind of the CEO

Adrian Ariciu
CEO METRO Romania



In an era when adaptability and innovation are essential, I believe that the biggest opportunity, and at the same time the biggest concern, for our company is to maintain a strong team that is responsive to change, open to transformation and able to evolve with METRO.

From a business development point of view, the biggest opportunity and at the same time challenge is accelerating the digital transformation and strengthening our multichannel strategy. In this sense, the expansion of the Mshop online delivery platform, the continuous improvement of the METRO application and the integration of EPOS solutions, together with the development of the DISH platform for the HoReCa sector are proof of our orientation towards innovation and efficient service to our customers.

On the other hand, the current economic landscape is shaped by the uncertainties generated by successive crises – market volatility and inflationary pressures, geopolitical tensions and a tight global election calendar. In addition, rapidly adapting to technological changes and evolving consumer expectations is a constant race against time that requires resources, vision and, above all, courage. These challenges demand vigilance and constant reinvention.

However, I remain optimistic because we, as a company, are well positioned, and the lasting relationships we have built with over 100,000 Romanian entrepreneurs from the hospitality and traditional trade industries reflect solid partnerships, based on trust, which allow us to navigate the market challenges together.

Without reinvention you cannot remain competitive. For our company, this process involves a deep reassessment of how we create value for our customers, our employees and society as a whole. Reinventing means looking at our company strategy through a lens that anticipates the future, identifying how megatrends can influence and shape demand in our industry, and proactively adapting our business model to remain relevant and competitive. And for us, that can be summed up in one word: multichannel. In this context, the digital transformation of our operations is a key element, aiming not only to optimise internal processes but also to improve the customer experience through efficient and accessible solutions. But this implies, in addition to the development and expansion of our digital platforms, the optimisation of logistics spaces in the 30 physical stores.

We are focused on growing our footprint by expanding our current stores and building new warehouses to increase supply chain efficiency and ensure continuous product availability.

But the transformation of a business cannot be done only from a technology and logistics point of view, the transformation means adopting an organisational culture that encourages innovation, experimentation and continuous learning. We need to be agile, adapt quickly to change and embrace failure as an essential part of the learning and growth process.

Reinvention is therefore a continuous process of evaluating and adjusting our strategies to respond not only to today's challenges but also to tomorrow's. And for that, we need to invest in people – our most valuable resource. Through training and professional development programmes, we ensure that our team is prepared to meet the dynamic challenges of the market and the needs of our clients.

GenAI presents outstanding opportunities for optimising back-end processes in areas such as: supply chain management, operations, market price surveillance and HR administrative services. The adoption of GenAI technology is becoming an imperative, given the advancement in technology and the need for continuous improvement in efficiency and productivity. This will enable organisations to optimise resources, improve workflows and direct human resources to value-added activities.

On the other hand, in the front-end area, especially in the B2B context, personal relationships and interactions remain essential. While GenAI can support and improve certain processes, the human factor and direct relationship with customers continue to be pivotal. In conclusion, while GenAI is transforming certain operational segments, the essence of B2B interaction remains deeply anchored in human relationships and mutual understanding.





3. The reinvention imperative

Long-term viability of the business model

The last edition of the survey found that nearly 40% of global CEOs believed their organisations would not be viable in ten years' time if they continued on their existing paths. And the need to reinvent seems to be growing this year. CEOs are less confident about their companies' revenue growth prospects in the short- (12 months), medium- (three years) and long-term (ten years) viability of the business. As they are aware of the risks associated with the threats they face (e.g. new regulations or competitors from other industries) and the scale and speed of change in today's society, executives have concluded that they need to transform their businesses if they are to thrive in the coming decades, and they are willing to make greater efforts to adapt.

Compared to the previous edition of the survey, the proportion of CEOs in 2024 who believe that their companies will not be economically viable for more than a decade if they continue on their current trajectory has increased.

Globally, 45% of respondents doubt that the current trajectory will keep the company viable beyond the next decade, up from 39% a year ago.

CEOs in CEE increasingly see transformation as vital to long-term business success. This year, the proportion of CEOs in the region who do not believe their organisations will survive the next decade under their current business models outweighs those who believe they will be economically viable for more than a decade.

Our country is also part of this trend of CEOs not believing their business will be viable in ten years' time without reinvention, although Romanian business leaders are more confident this year than their global and regional counterparts. Almost three in five (59%) of respondents in our country believe that their

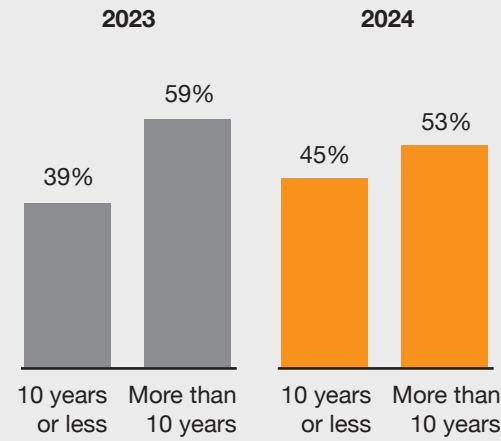
business model will still be relevant in ten years' time, higher than globally (53%) and regionally (46%). At the other end of the spectrum, more than a third (37%) of Romanian executives believe that if their organisations continue on their current trajectory, the business will not be viable in ten years' time, recognising the urgent need for change. The proportion of CEOs who are pessimistic about the viability of their business in ten years' time is ten percentage points higher than in 2023.

CEOs' concerns about the viability of current business model have grown this year

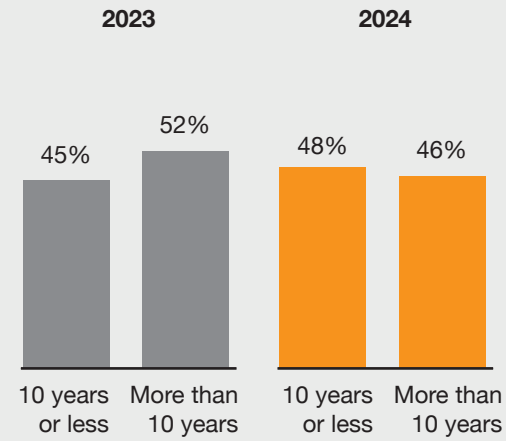
If your company continues running on its current path, for how long do you think your business will be economically viable?



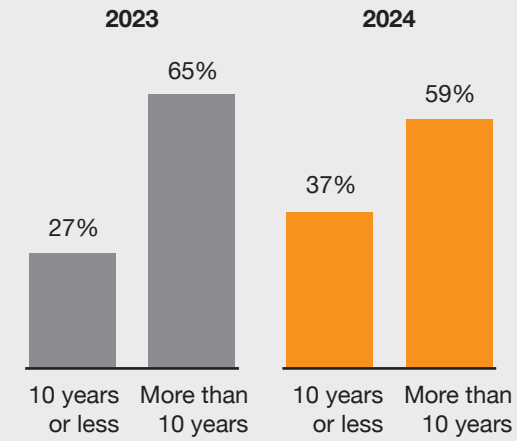
Global



Central and Eastern Europe



Romania



Daniel Anghel

Tax, Legal and People Services Leader
PwC Romania

“Confidence in current business models is fragile. The urgency of significant business reinvention has yet to be recognised and accepted. Technological disruption, large-scale climate change and other accelerating global megatrends are driving CEOs to change the fundamentals of their businesses. As these pressures mount, more and more CEOs will prioritise broader actions to support the ongoing reinvention of the way they do business. But identifying the areas that need to change (and the direction in which change will occur) is not always easy. The challenge is to apply a wide range of initiatives together, such as developing risk detection and early warning systems, improving operational and technology flows and the organisation’s role in the value chain, creating ecosystems around customer needs, and changing conventional management mindsets. But the opportunities associated with successful reinvention are commensurate: competitive advantage and sustainable organisational development for the benefit of stakeholders and society as a whole. It is likely that continuous reinvention will soon become the new normal.”

Drivers of reinvention

Globally, changes in technology, the regulatory environment and changing consumer preferences are perceived as by far the most significant megatrends that have driven major or very major changes in business models over the past five years. Competitor actions and supply chain volatility are also seen by CEOs around the world as driving new business approaches.

According to business leaders in CEE, supply chain instability is the most important factor that has changed the way organisations have created, captured and delivered value over

the past five years. This is followed, in order of impact on business operations, by changes in consumer preferences and regulation, and then by advances in technology.

In line with their global counterparts, Romanian CEOs see technological disruption and the regulatory framework as the main drivers of business model transformation over the past five years. For example, they see technological innovation as the most important factor driving change in the way companies create and deliver value, with 43% of respondents saying

that advances in technology have influenced business model change to a great or very great extent, while 37% say that this influence has been moderate.

Regulation is a close second, cited by 41% of Romanian CEOs, followed by supply chain instability (39%). The impact of changing consumer preferences is not overlooked either, with 33% of our country's executives believing that this factor has had a great or very great influence on the evolution of the business model. A further 41% of respondents consider the influence to be moderate. The last of the top five most important factors is the actions of competitors, with 31% of Romanian CEOs citing this aspect as having a high or very high influence on the business model.

Looking ahead, CEOs generally expect the impact of all these factors (except supply chain instability) on the business model to increase significantly over the next three years compared to the last five. For example, business leaders believe that changes related to technology, customer preferences and climate change, among others, will have a much greater impact on how they create, capture and deliver value over the next three years.

The order of the top four factors, according to the percentage of CEOs who believe they will influence the business model to a great or very great extent, is the same globally, regionally and in Romania. Technology remains the most important factor for business development over the next three years. Around six out of ten CEOs

believe that technological innovation will cause changes the business model to a great or very great extent. The other megatrends seen as key to reinventing businesses are changes in consumer preferences, regulation and the actions of competitors.

Note that globally, climate change has surpassed supply chain disruption to become the fifth most important driver of operational transformation, based on the percentage of CEOs who expect climate-related issues to cause a great or very great deal of change in the way organisations create and deliver value over the next three years.

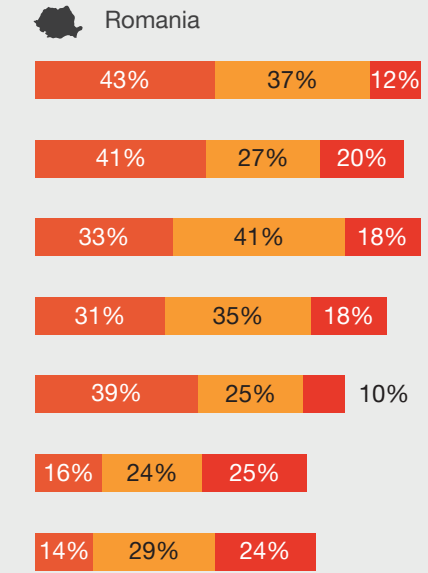
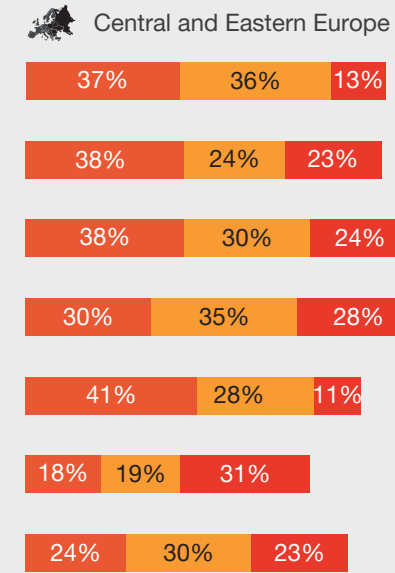
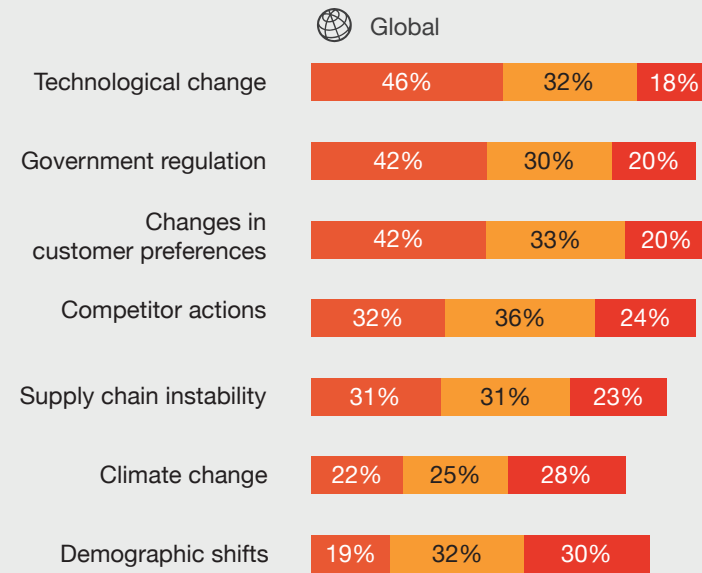
The significant increase in pressure that CEOs expect over the next three years, driven by the growing importance of trends influencing business model change, is another sign that reinvention is on the horizon. And these megatrends are interrelated, reinforcing and amplifying each other's impact. For example, technology and climate change may interact with regulation and customer preferences to force organisations to completely reconfigure some industries.

Business leaders need to identify opportunities that capitalise on the company's strengths and take into account the needs and interests of all stakeholders – not only customers but also suppliers, business partners, investors, regulators and society at large.

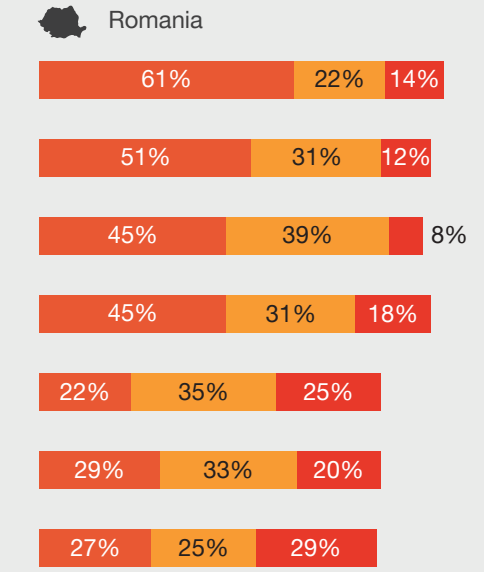
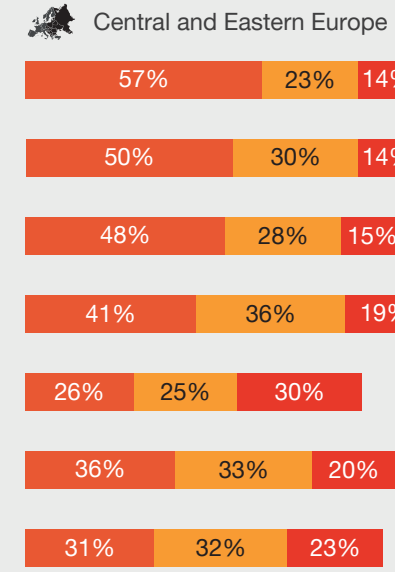
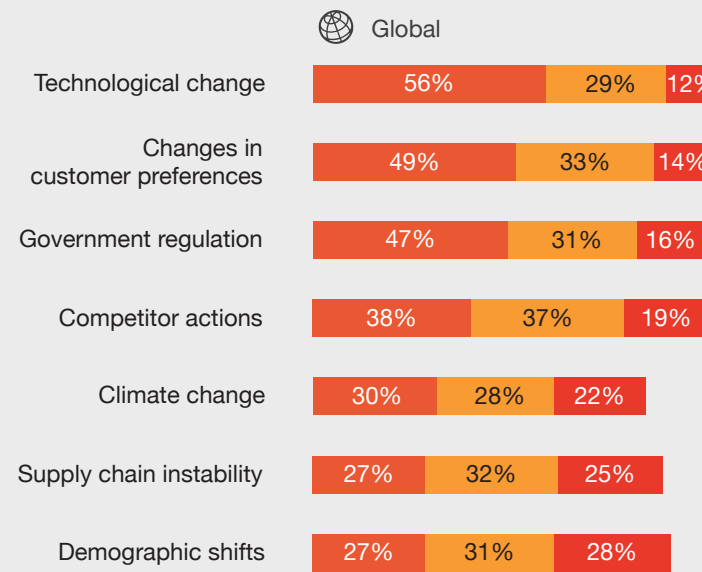


CEOs believe the next three years will bring more momentum for reinvention than the last five years have

Please indicate the extent to which the following factors have driven changes to the way your company creates, delivers and captures value in the last five years?



Please indicate the extent to which the following factors will drive changes to the way your company creates, delivers and captures value in the next three years?



■ To a large / very large extent
 ■ To a moderate extent
 ■ To a limited extent

Actions taken to reinvent

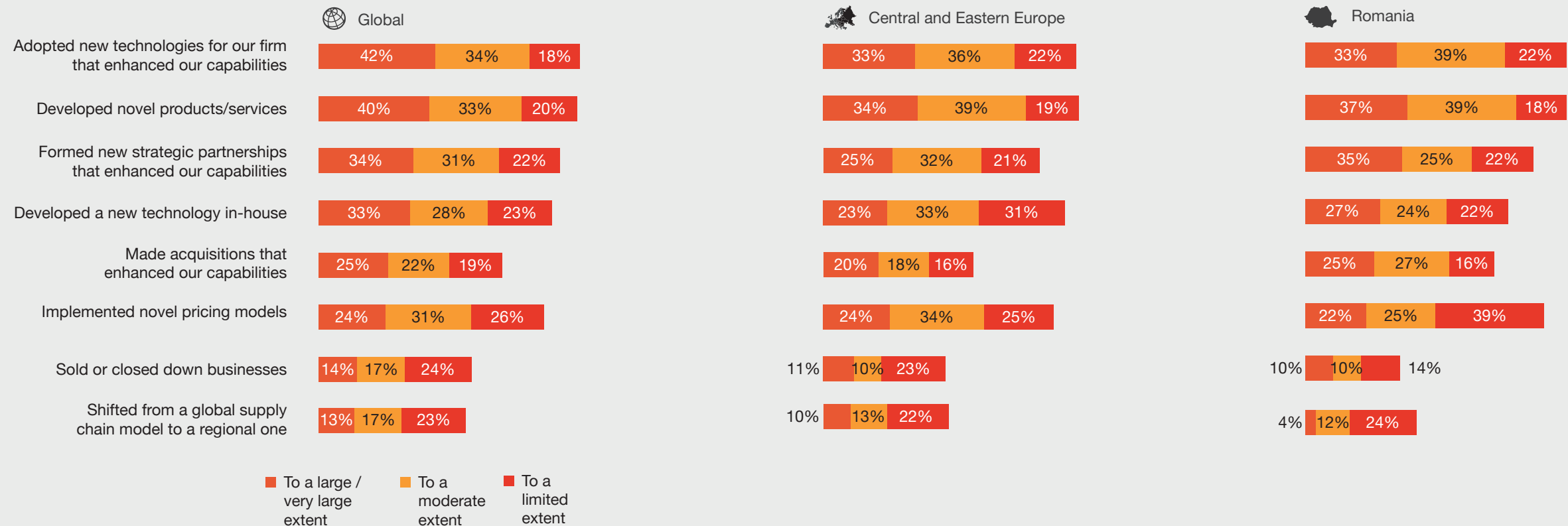
Most companies have already taken some steps to change the way they create, capture and deliver value over the past five years.

The adoption of innovative technologies to improve performance, the development of new products and services, and the formation of new strategic partnerships are the main actions taken by companies that have had a high or very high impact on the business model.

Depending on the percentage of CEOs who believe that these actions have had a high or very high impact on their business, the ranking changes slightly. For example, the adoption of new technologies was the most important step for global business leaders, while respondents in CEE and Romania most often cited product and service innovation.

According to Romanian CEOs, the most important steps that have influenced the business model to a great or very great extent are the creation of new products and services, the formation of strategic partnerships and the adoption of technologies to improve the organisation's performance

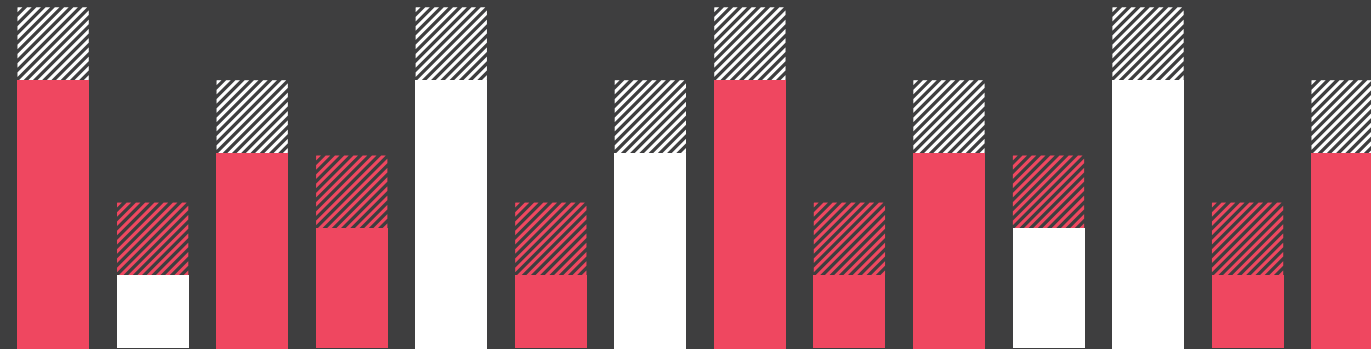
To what extent have the following actions impacted the way your company creates, delivers and captures value over the last five years?





Inside the mind of the CEO

Elisabeta Moraru
Country Director Google Romania



The biggest short-term opportunity lies in equipping Romanian companies and citizens with the necessary tools to successfully overcome the current economic uncertainties. Digital skills and technologies are not only essential for business but are catalysts of resilience and adaptability for the Romanian workforce. We, at Google Romania, are committed to supporting this transition through innovative products, impactful educational programmes and solid partnerships.

The last three years have reconfirmed to us that technology plays a vital role in facilitating adaptation, connection and productivity, keeping the economy moving. The pandemic has acted as an accelerator of digitisation trends. To thrive in this complex economic climate, businesses must continuously integrate intelligent work models and cost-effective digital tools.

We must be vigilant about maintaining a long-term strategic vision. Addressing pressing challenges must not prevent us from addressing fundamental issues of sustainability and inclusion – pillars of building a stronger and fairer future. Google is taking charge in the role of a key partner during Romania’s digital transformation. We will continue to support the short-term economic environment while keeping our long-term goals at the fore. We are particularly focused on providing cutting-edge technologies with a focus on innovative cloud solutions. Simultaneously, we are dedicated to raising the level of cyber expertise and resilience across the country.

Reinventing and transforming a business in the face of increasing pressures from technology, climate change and other global megatrends means making the most of digital tools and the right skills.

In the short term, digital can help businesses adapt to challenges, become more efficient, productive and secure their operations. The pandemic has accelerated this digital transition, but we still have a long way to go. Support is needed for those who are not yet online to take the first steps in this direction, with encouragement given for those who have already started this journey to continue. This requires businesses to have access to the right tools and the right skills to make the most of them.

Developing digital skills will help people to prepare for the future, so we need to focus on the digital transition. Everyone must have an equal opportunity to develop these key skills and reskill as the knowledge required for work and business continues to evolve. Increasing digital skills can be one way in which societies can overcome deep-rooted inequalities. To do this, we need to provide more support and partnerships to those who need it most, especially underrepresented groups. People need new skills to find new jobs, and businesses need the right skills to exploit technology. This is key to tackling rising inequality.

Through the many programmes we run in Romania, Google remains a supporter of this digital transition process. Moreover, we want to contribute to the development of specialised training programmes for the public sector in Romania, which teach practical skills and improve basic digital knowledge. These programmes could fuel Romania’s rapid digital transformation and expand IT job opportunities. We are talking here about courses and workshops focused on developing digital skills for the public sector, Artificial Intelligence (AI) for entrepreneurs and students or online safety, among others.

I think AI has tremendous potential to alleviate some of the pressures caused by the talent shortage. Recent studies, including research commissioned by Google and conducted by Public First, provide compelling evidence of this. In the EU, AI could boost economic growth by EUR 1.2 trillion and help reduce the work of each employee by 70 hours annually, meaning two weeks of work. Furthermore, 74% of EU employees anticipate that AI tools will make them more productive, freeing up valuable time that can be reallocated to higher-value tasks.

While AI cannot fully replace the need for skilled human employees, it provides a crucial tool for optimising existing talent. Companies can leverage its capabilities to automate routine, time-consuming tasks, allowing employees to focus on strategic initiatives, creative problem solving and innovation.

Google can help by providing useful tools. The previously mentioned report estimates that Google’s products, platforms and tools contributed to the creation of an economic activity throughout the European Union estimated at EUR 179 billion in 2023, enabling companies to employ more than three million people.

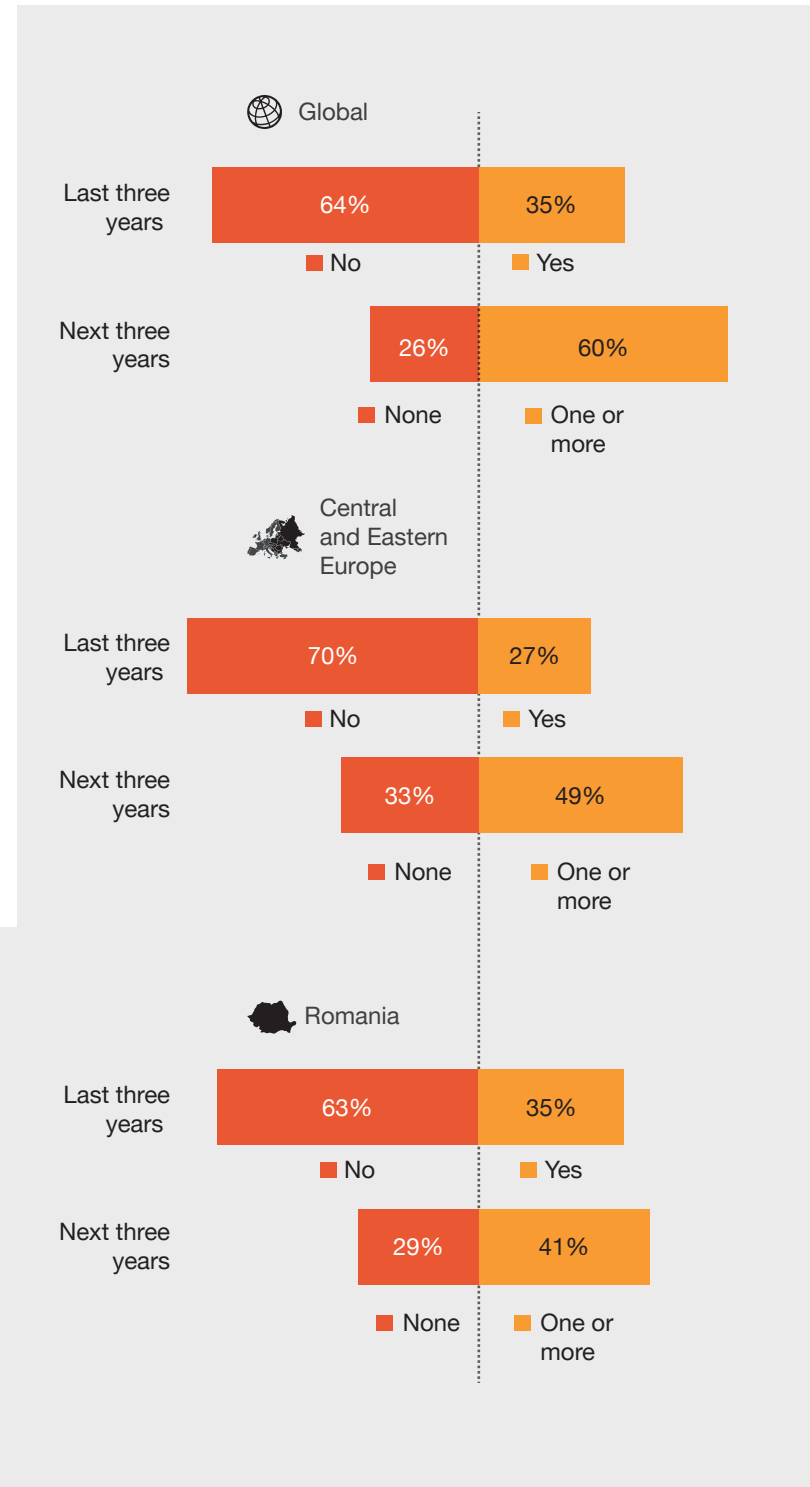
Through the path opened by AI, we have a unique opportunity to accelerate economic growth and advance social change. To capitalise on these opportunities, we need to find the right balance between harnessing the benefits of AI and minimising its risks. This means we need responsible regulation that supports private sector innovation and promotes the adoption of AI and emerging technologies.



Acquisitions as a strategic approach

In line with their global peers, more than one in three (35%) Romanian CEOs say their organisation has made a major acquisition (more than 10% of assets) in the last three years. The appetite for such deals appears to be slightly lower in CEE, where 27% of respondents say they have completed an acquisition in this timeframe.

Looking to the future, 60% of global CEOs expect to make at least one acquisition in the next three years. However, Romanian CEOs are much more cautious about inorganic growth than their global and regional counterparts, with only around four in ten (41%) of Romanian respondents considering such a transaction.



Just over a third of Romanian CEOs have made an acquisition in the last three years, and around two in five of our country's business leaders are planning an acquisition in the next three years

Has your company made a major acquisition (more than 10% of assets) in the last three years?

How many acquisitions is your company planning to make in the next three years?

Barriers to reinvention

Concerned about the long-term viability of their companies, CEOs are willing to identify and point to the existence of many barriers that could inhibit reinvention. The good news is that many of the barriers to transformation are within their organisations' spheres of influence.

It is important to note that there is a consensus in the views of CEOs globally, in CEE and in Romania that issues related to the regulatory framework (both over-regulation and regulations that inhibit reinvention) are perceived as the most important barrier to change.

While having a significant impact on transformation efforts, competing operational priorities, workforce skills gaps, limited financial resources and reduced technological capabilities are barriers over which organisations have some influence and control.

Some constraints are felt more acutely in certain industries. For example, infrastructure challenges (grid capacity, connectivity constraints, etc.) are of most concern to the energy, transport and logistics sectors.

At the other end of the spectrum, relatively fewer respondents perceive a lack of support from the board, management team and their own employees as an obstacle.

It is worth noting that for CEOs in CEE, the instability of the supply chain is perceived as the second most important obstacle to large-scale corporate change efforts. This may be due to regional geopolitical issues. Thus, the two most important obstacles they face in implementing large-scale change projects are external factors that are outside the direct control of companies.

Nearly half (47%) of Romanian business leaders say that the regulatory environment prevents companies to a great or very great extent from changing the way they create, capture and deliver value.

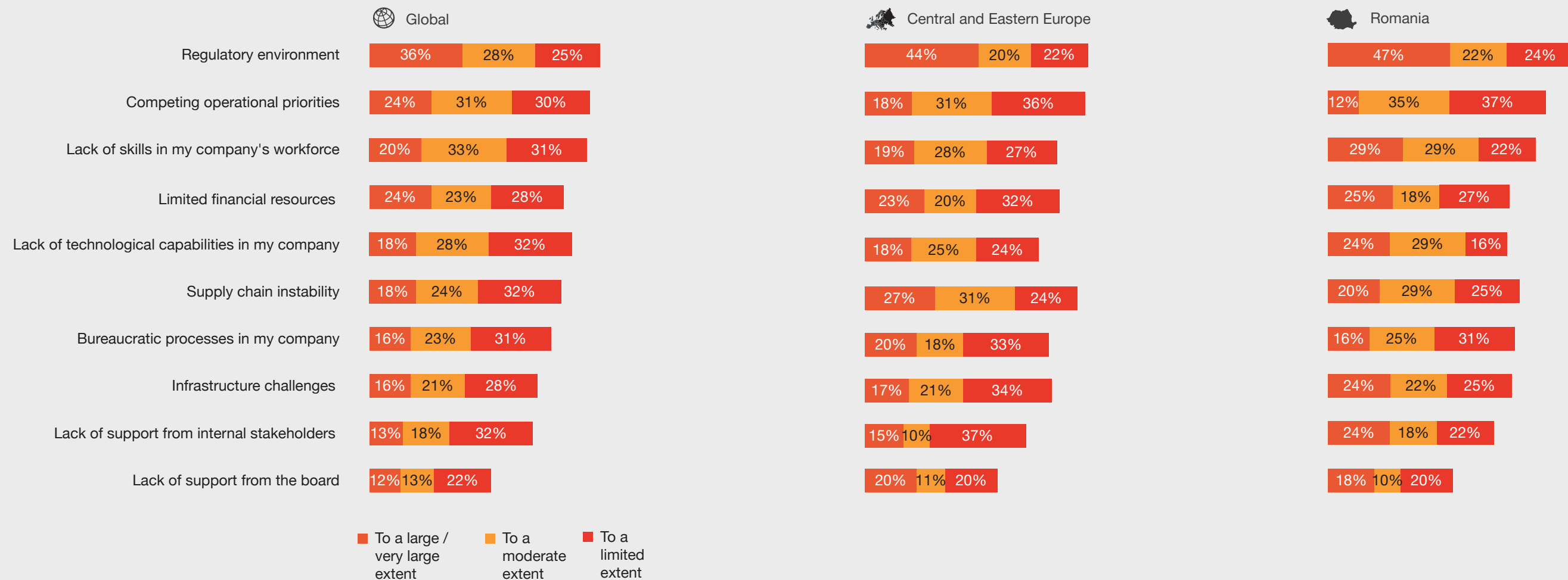
In second place on the list of disruptive factors, Romanian CEOs rank the lack of skills in the company's workforce, with 29% of Romanian business leaders believing that this factor has a great or very great impact on changing the business model. This is closely followed by several other factors cited by around a quarter of Romanian respondents: limited financial resources (e.g. insufficient cash flow, difficulties in raising capital), lack of technological skills in the company, infrastructure challenges and lack of support from internal stakeholders.



With a good understanding of the challenges and opportunities associated with business transformation, leaders can turn obstacles into advantages. It is important that they create alignment between management and employees on the priorities for change (primarily by identifying differences of opinion) and develop a culture of transparency, trust and innovation so that all employees feel encouraged to take an active role in proposing better ways of doing things, developing their skills and applying them immediately. Involving, enabling and empowering employees in the reinvention process are essential. And career paths need to be redesigned around competencies so that people have more freedom and opportunity as the nature of work changes.

The regulatory environment is seen by CEOs as the main barrier to reinvention

To what extent are the following factors inhibiting your company from changing the way it creates, delivers and captures value?



Reallocation of resources

Business reinvention and performance requires some reallocation of resources between different processes within companies.

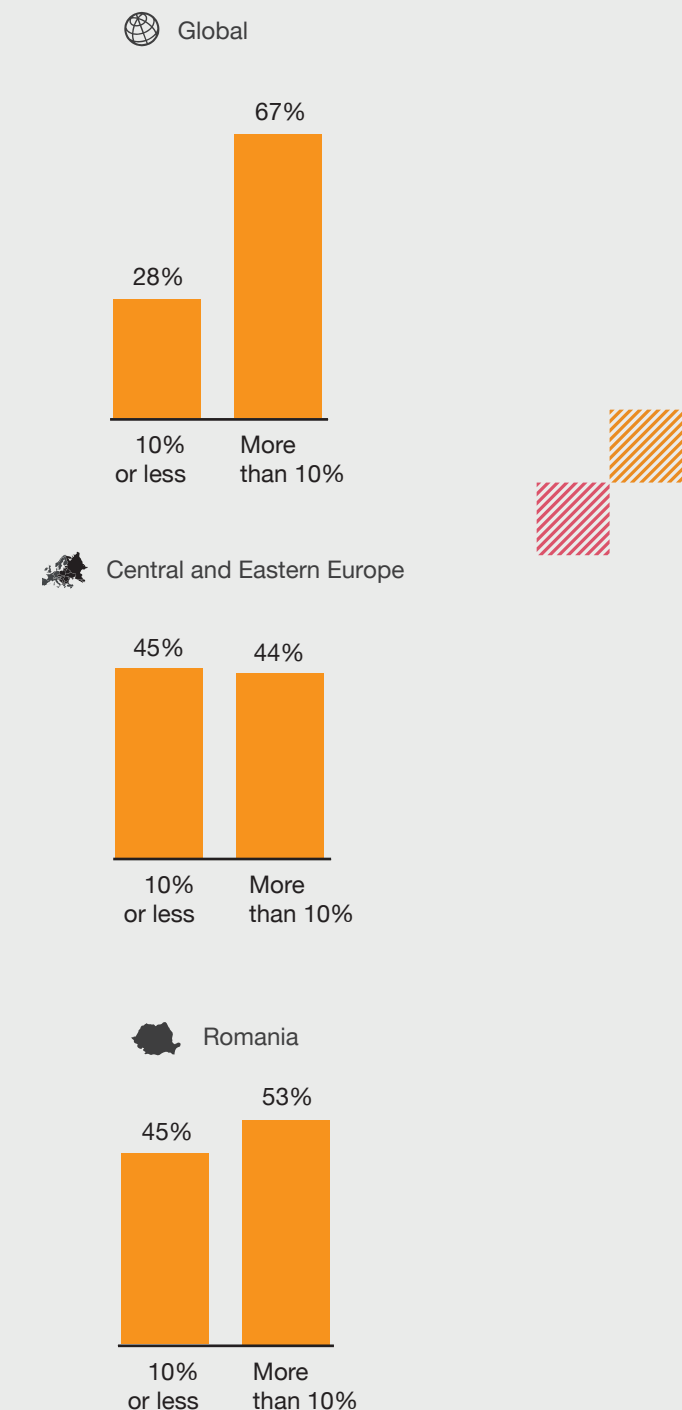
Two thirds (67%) of global CEOs say they reallocate more than 10% of financial and human resources between different activities in the company from one year to the next. The percentage is significantly lower in CEE (44%), and in Romania more than half (53%) of CEOs believe that more than 10% of resources are reallocated in their organisations.

It is clear that strategic actions vary significantly from one company to another, depending on the operating model, the geographic and sector context, and the competitive landscape. But the process of agile resource reallocation remains a critical item on the CEO agenda and must include both strategic decisions about the assets in a division's or business unit's portfolio, depending on its ability to leverage them, and operational decisions at the project level.

Long-term success and progress will depend on the success of initiatives to change the business model. For example, ecosystems created between companies in different industries (through joint ventures or alliances) to better serve customers can create more value than those companies could create by working individually. And companies that are part of such ecosystems are more agile, flexible, innovative and able to tackle complex challenges. CEOs need to have a clear vision of how the investments or transactions they make will create value for the organisation and be prepared to make difficult decisions, whether they be about reallocating resources from traditional activities to innovation processes or choosing partners within ecosystems.

More than half of Romanian executives reallocate more than 10% of their resources between different activities within the company from one year to the next

What share of your company's resources do you and your management team reallocate across your businesses from year to year?



Working time efficiency

Inefficiency can also be seen as a barrier to reinvention and is a concern for many business leaders. On average, CEOs believe that around 40% of the time spent in the organisation on various routine activities and administrative processes is used inefficiently. In addition, global and regional executives say that 35% of the time spent on strategy meetings, an activity over which they often have direct personal control, is also inefficient. The percentage estimated by their counterparts in Romania is even higher (39%). The cost of this inefficiency is huge.

Looking at the glass half full, global and regional CEOs believe they use their working time efficiently for the various activities in which they are involved, at a rate of around 53–65%. The most efficient use of time is for meetings where decisions are made (65%), followed by the investment approval process (62%) for global executives and the expenditure approval process (62%) for CEE executives. The lowest percentage is for emails.

Romanian CEOs estimate that around 51–62% of their time is used efficiently for different activities. The investment approval process, strategic management meetings and procurement and contracting activities appear to be the most efficient. Only 51% of the time spent on employee performance appraisal processes is used efficiently.

One of the solutions for improving the competitiveness of organisations is using managed service partnerships – outsourcing routine processes and operations to an external (expert) contractor.

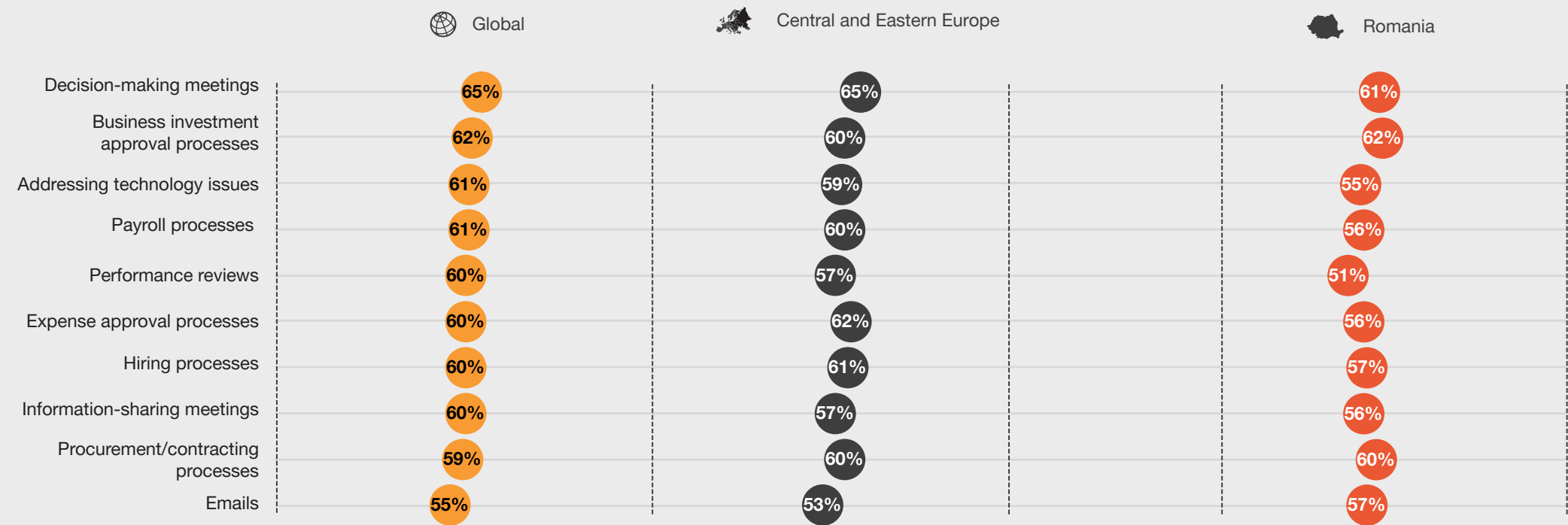
This approach allows the organisation to close capability gaps, save resources (human, financial and time), immediately benefit from cutting-edge expertise and technology, comply with regulations and better focus on its distinctive activities to accelerate reinvention, innovation and achievement of performance goals. Managed service partnerships can provide cost-effective and efficient alternatives to the complexity and pace of change in business processes.



On average, CEOs estimate that approximately 40% of the time spent on various routine activities and administrative processes is used inefficiently

What percentage of time spent in your company on the following activities/processes is efficient?

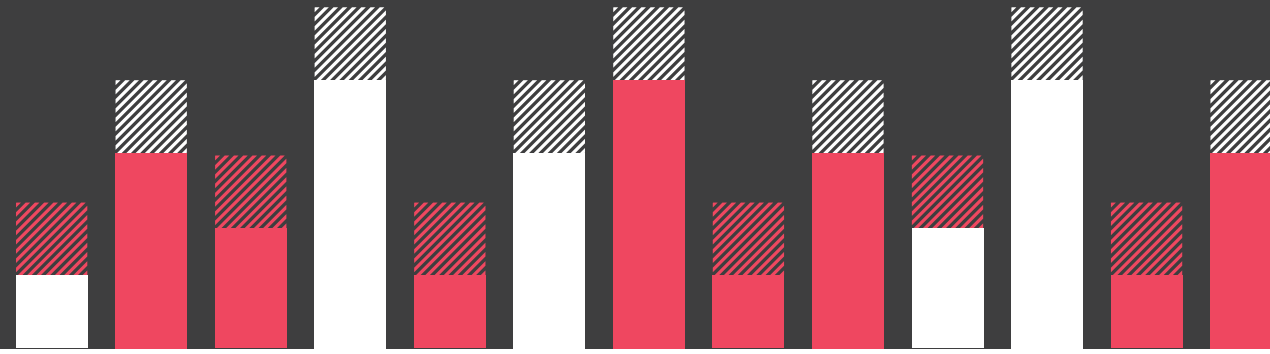
Note:
0% indicates that time spent on the activity / process in entirely inefficient, and 100% indicates that time spent in entirely efficient





Inside the mind of the CEO

Cătălin Radu
General Manager Bristol Myers Squibb România



The year 2024 will unfold in a complex context, marked by numerous rounds of elections and difficult political decisions. Regardless of political orientation, it is clear that a proper commitment to health should be a priority. In this regard, there is a significant opportunity for the pharmaceutical market in updating the list of compensated drugs and negotiating new cost-volume contracts, both of which have been delayed since the previous year due to a lack of financial resources.

A major concern stems from the inefficient management of public funds, with an uncontrolled increase in the number of public sector employees, increased expenditure on salaries and pensions, the absence of essential administrative reforms and a low collection rate of revenues to the state budget. The election year may bring populist measures that could affect the business environment, such as the 1% tax on the previous year's turnover.

This lack of vision and political will for a clear development direction for Romania will have consequences for our medium-term development prospects and on developments this year.

Awareness of the global impact of our actions, sustainable development and the rapid and efficient integration of new technologies are essential aspects for companies to adapt and progress. For the pharmaceutical industry, combining technology with our drug treatments can significantly improve their quality and make a difference in the survival of patients with conditions such as cancer or multiple sclerosis, or in saving the lives of those with heart problems. Technology has already

enabled remarkable progress in discovering and modelling new drugs and molecules with curative potential. What in the past required years of fundamental research can now be developed faster due to the use of technology platforms. In this regard, Bristol Myers Squibb has made strategic and rapid decisions regarding the formation of partnerships or the acquisition of research and development platforms based on state-of-the-art technologies.

At the organisational level, we are trusted partners for healthcare professionals and the doctors who care for patients. Technology helps us to collect and process information, analyse and interpret large volumes of data, studies and publications, enabling us to provide physicians with a valuable and insightful synthesis for practice. Our entire business chain, from discovery and development to commercialisation, is technology oriented, and we expect to continue on the same path in the future.

At Bristol Myers Squibb, we are dedicated to researching, discovering and commercialising treatments for people. In many situations, that 'human attention' that cannot be replaced by Artificial Intelligence (AI) is essential. However, we recognise that there are many steps in our processes that can be improved by implementing AI, and we already have this technology in the company. Certainly, GenAI has and will have an important role both now, and in the future, in areas such as user-interacting websites and chatbots, for example.

We already use GenAI in the creation of promotional materials, educational materials and complete training programmes. GenAI technology is already being used in suggesting molecules or ingredients with the potential to become drug treatments. We can say that GenAI has appeared since 1932, when the 'mechanical brain' was invented, the first computer that did translations, and the first chatbot was created in 1966, but the major advances began to be observed in the last 10 years, and the pace of development is exponential. GenAI is definitely a solution for the talent shortage, for streamlining and redesigning processes, and I believe that 'the sky is the limit' for technological development. Whoever does not adopt it, will lose. Personally, however, I also believe that human interaction will continue to be something special and necessary.



4. Artificial Intelligence – opportunities and challenges

Implementing GenAI in organisations

GenAI could be defined as an area of deep learning where models are trained to generate new data based on what they are fed. This type of AI can be used to create text, images, audiovisual materials, programmes, applications and even entire virtual worlds.

Globally, it is worth noting that almost a third (32%) of CEOs say they have implemented GenAI across their organisation in the last 12 months, and 31% say their organisation has changed its technology strategy as a result of GenAI.

While the adoption and strategic integration of GenAI has been somewhat limited over the past year, CEOs expect it to have a greater impact in the near future.

Over the next 12 months, around three in five (58%) global executives expect GenAI to improve the quality of products or services, and just under half (48%) believe GenAI will improve their ability to build trust with stakeholders.

When the time horizon is extended, global CEOs see GenAI as a catalyst for reinvention that will drive efficiency, innovation and transformation. Around seven out of ten executives expect GenAI to significantly change the way their company creates, captures and delivers value over the next three years, requiring new skills and capabilities from the workforce and increasing the intensity of competition within their own industry.

In general, CEOs in CEE and Romania share the views of their global counterparts on the transformative potential of GenAI and the positive short- and medium-term impact on business, but to a much lesser extent so far. Business leaders expect GenAI to impact their business in the short term but are not quite sure how and to what extent. Despite the excitement

surrounding the emergence of GenAI, many organisations are still unclear about what they are trying to achieve with this technology (and why). However, organisations in CEE (including those in Romania) have more than three decades of experience in absorbing many changes in the business environment at an accelerated pace. Their more cautious stance on the extent of adoption and impact of GenAI for now does not necessarily mean that this technology will not become one of the most transformative processes in the region over time.

Nearly three in five (59%) CEOs in CEE believe that GenAI will significantly change the way their company creates, captures and delivers value over the next three years. To a much lesser extent, 25% of executives in the region expect GenAI to improve their company's ability to build trust with stakeholders over the next 12 months. This percentage is about half the global figure.

In general, Romanian CEOs seem to be slightly more reserved than their global and regional counterparts about the state of adoption and the changes that GenAI will bring to their organisations.

Only about one in four (24%) of our country's CEOs say that GenAI has been implemented in their company in the last 12 months. Similarly, less than one in five (18%) of business leaders believe that their organisation has revised its technology strategy as a result of GenAI.

In terms of short-term expectations, 35% of Romanian business leaders believe that GenAI will help to improve the quality of their products and services in the next 12 months. To a similar extent, 31% of respondents in our country believe that GenAI will improve the company's ability to build trust with stakeholders.

Looking at a longer time horizon, Romanian CEOs expect GenAI to significantly change the way businesses operate. More than half (53%) of business leaders in our country believe that GenAI will not only change the way the company creates and delivers value but also intensify competition (new competitors, new products or new pricing approaches). Similarly, 51% of respondents in Romania believe that GenAI will require most employees to acquire new skills.

There is no doubt that artificial intelligence has risen to the top of CEOs' agendas over the past year. As the use of new technologies intensifies and 'anything as a service' models take hold, companies will explore different ways of adapting the way they exchange value with customers and other stakeholders. It remains to be seen to what extent companies will take the necessary steps to effectively harness the huge transformative potential of artificial intelligence and its ability to analyse and synthesise information relevant to strategic decision-making.

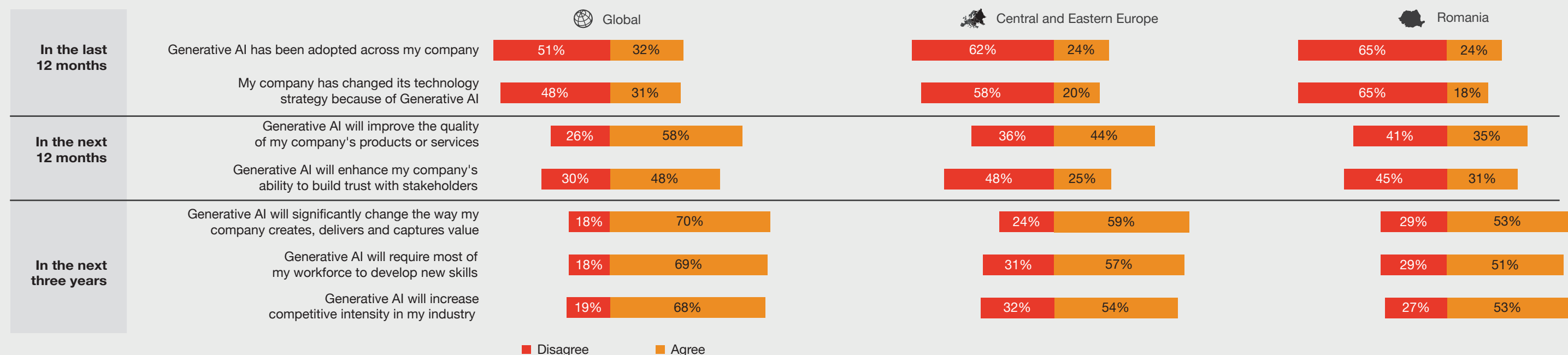


Dinu Bumbăcea
Country Managing Partner
PwC Romania

“Technology has been a megatrend for many years, with systemic implications for human society as a whole. Specifically, GenAI could eliminate inefficiencies in routine activities, redefine work processes, transform business models and fundamentally change industries. As always when faced with a disruptive factor, leaders will need to carefully assess the potential risks involved, while moving quickly to seize the opportunities. But this is unlikely to happen without the involvement of employees. Cultivating transparency and trust in the implementation of the GenAI strategy can help reluctant employees to feel encouraged to experiment and ultimately innovate with the technology, with a focus on identifying examples or cases that can be easily scaled up. CEOs have a duty to explain and manage the inevitable short-term job losses alongside the long-term potential to create new jobs and upskill employees.”

In general, the leaders of Romanian organisations are more reserved than their global counterparts when it comes to the state of implementation of GenAI and the expected changes it will bring to business models

To what extent do you agree or disagree with the following statements about Generative AI?



The short-term impact and operational implications of GenAI

There is a consensus among global, regional and Romanian CEOs regarding the benefits of GenAI for organisations.

Globally, around three out of five CEOs expect GenAI to increase the efficiency of the use of working time over the next 12 months. More than four in ten executives also expect increased profitability and revenue as a result of implementing GenAI.

At the same time, one in four CEOs expect to reduce headcount by 5% or more as a result of GenAI. However, organisations that make early cuts to gain efficiencies in certain activities and processes may be able to offset them by hiring in other areas or business units as growth opportunities become clearer.

The proportions of CEOs in CEE and Romania who agree with these potential business benefits of GenAI are generally lower than their global counterparts.

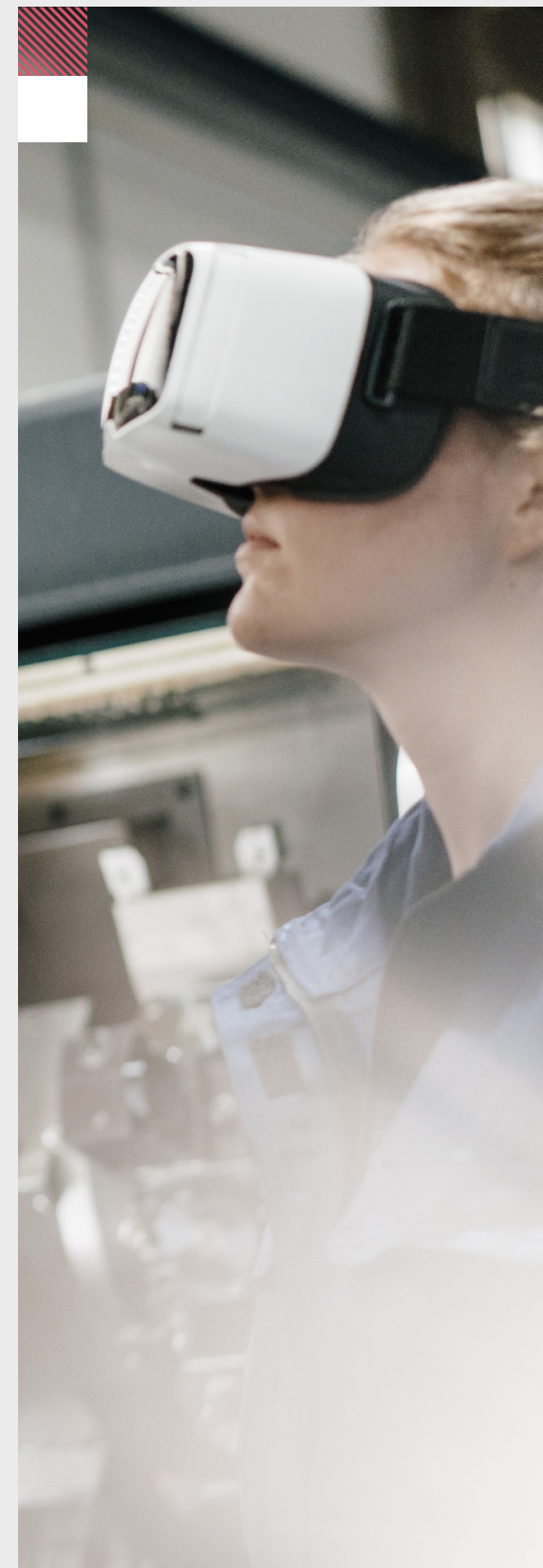
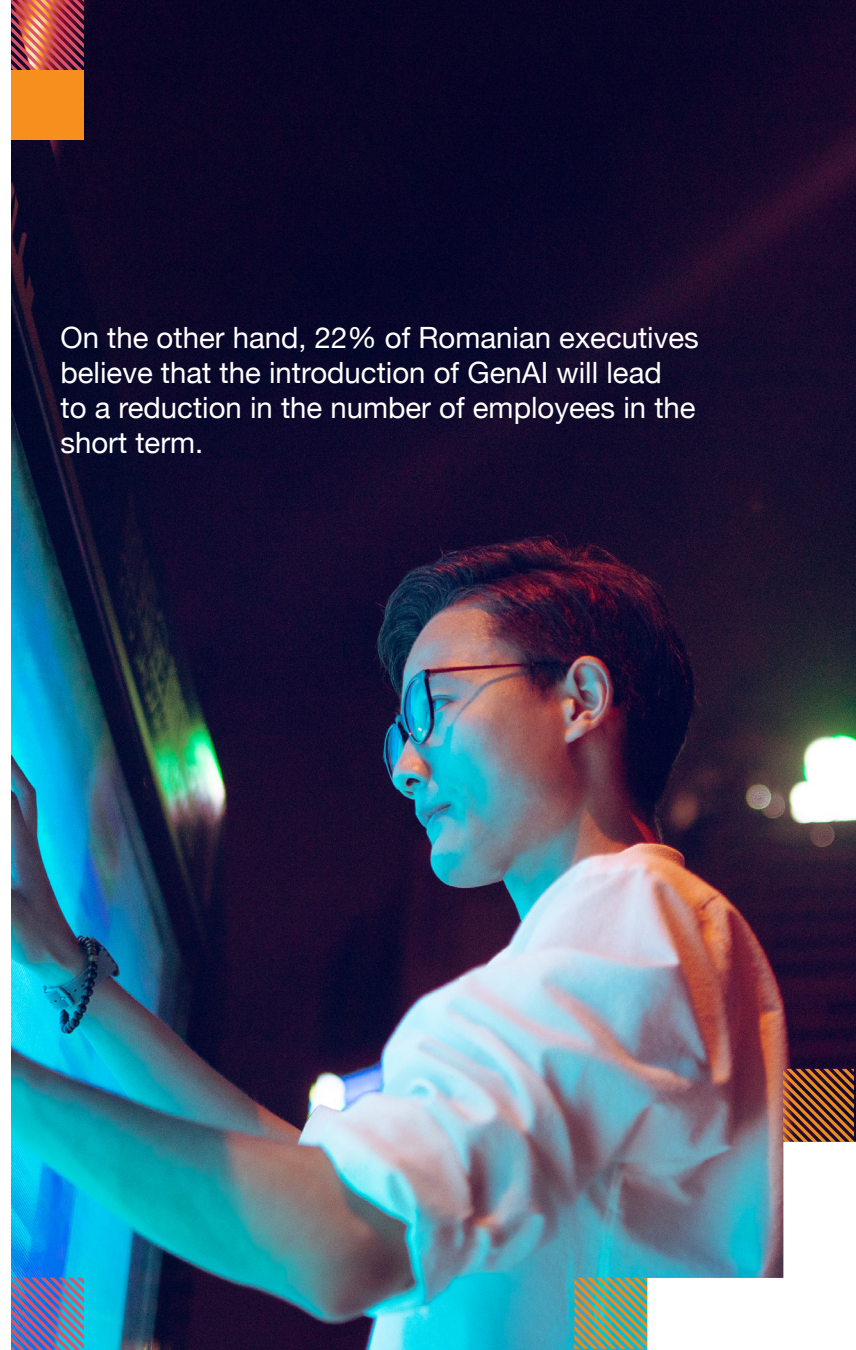
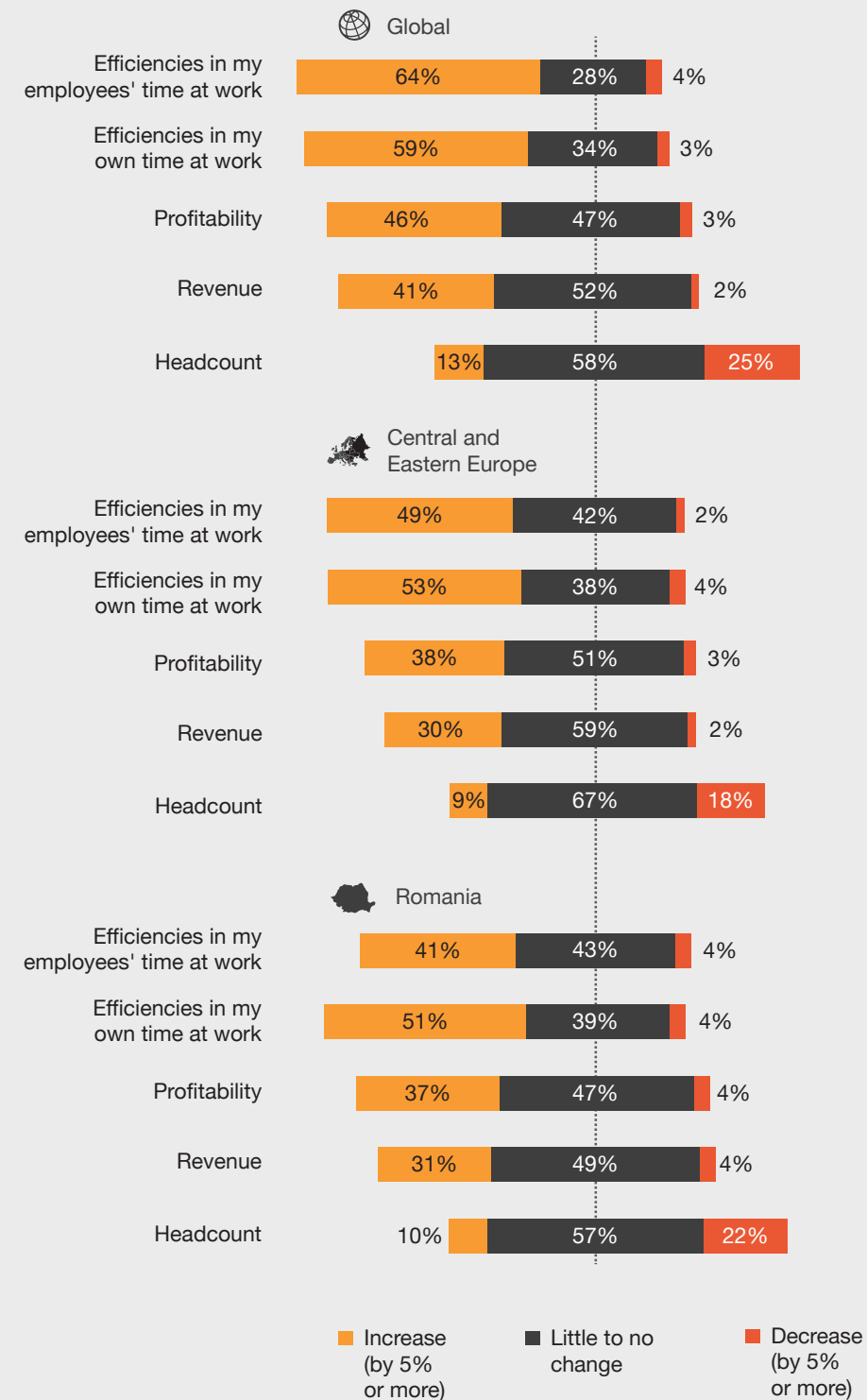
For example, around half of CEE business leaders believe that GenAI will lead to increased efficiency in the use of employee time (49%) and their own time at work (53%).

Similarly, just over half (51%) of Romanian CEOs say that GenAI will improve the efficiency of their own working time over the next 12 months, and around two in five (41%) believe the same about employee time. A similar proportion (37%) expect to see an increase in business profitability, and almost a third (31%) expect to see an increase in turnover.

On the other hand, 22% of Romanian executives believe that the introduction of GenAI will lead to a reduction in the number of employees in the short term.

CEOs expect GenAI to have several positive effects on their business, including increased revenue and profits, as well as improved efficiency in the use of working time

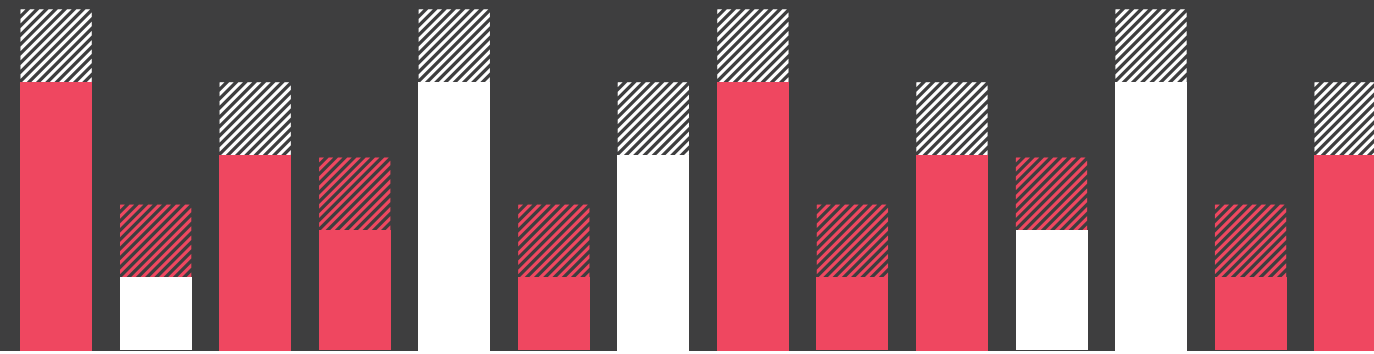
To what extent will Generative AI increase or decrease the following in your company in the next 12 months?





Inside the mind of the CEO

Sergiu Manea
CEO BCR



Our main concern is to improve the financial health of Romanians and businesses, as well as the digital transformation of society as a whole. At the same time, both represent a huge opportunity for Romania to unlock our potential as a country, on a human, social and economic level.

Promoting the financial health of the population starts with financial education. In fact, the most important achievement for us in 2023 is to have surpassed one million Romanians who have benefited from financial education through our two dedicated programmes – Money School and BCR Financial Coaching Service.

Today, Money School has become the largest and most well-known financial education programme in Romania. We are proud of the fact that 650,000 people have put their trust in us and taken the step to learn the basics of financial education with the help of more than 1,500 BCR colleagues who work as financial education teachers alongside their day jobs.

From 2022, we have also launched the BCR financial coaching service, available free of charge to anyone interested, whether or not they are a customer of the bank. To date, more than 410,000 people have accessed a personalised financial plan based on their life plans and individual goals, using an innovative data analytics platform developed by BCR's in-house digital labs.

It is certain that we will continue to normalise discussions about money, prevention and financial health. And LifeLab, BCR's latest project, is aimed at bringing financial education into the school curriculum through a petition that we hope will gather as many signatures as possible.

Through LifeLab, we aim to integrate financial education into different subjects and educational cycles, from kindergarten to high school, and prepare children for effective management of personal and professional resources. The pilot project started in the 2022–2023 school year, when it was implemented in two schools in Romania, involving 65 teachers and 1,200 students.

The very good results – a 19% increase in the financial knowledge of secondary school students, and a 15% increase in the knowledge of high school students – led us to scale up the project. Thus the second edition of the programme, in the school year 2023–2024, was extended to 10 schools in four counties in Romania: Braşov, Mureş, Prahova and Suceava. In the future, we aim to make LifeLab a national programme that can benefit all children and young people in Romania.

BCR's development plans and investments in recent years have been based on a responsible banking model that prioritises the consumer. Which places respect for customers, data and technology at the heart of our strategy, built around financial health and digitalisation. And BCR today is a bank for every Romanian, for the community and for Romania and will continue to evolve and reinvent itself in this role.

In fact, the 2024–2026 strategic exercise has given us the framework for an open dialogue with our customers, partners and colleagues, as a result of which we are implementing a series of changes to become a better bank. The pillars of this transformation are financial health, investment in digital transformation and omnichannel strategy, the development of digital-advisory capabilities and financial analytics expertise for corporates.

Everything we have learnt in our eight years of Money School is being applied in the way we interact with our clients on a daily basis and in Financial Coaching – the personalised financial plan that is a financial education approach put into practice.

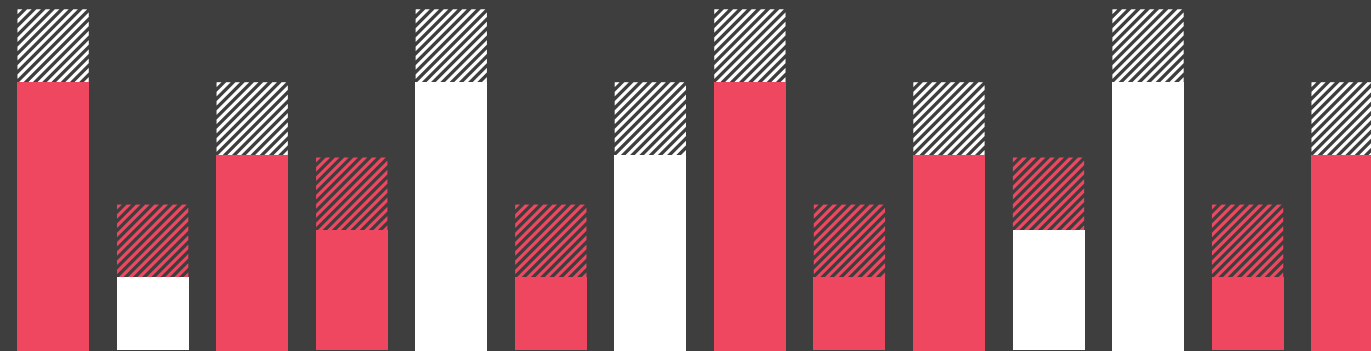
Digital also plays a key role in democratising access to financial education. It paves the way for financial inclusion at scale. It ensures accessibility, convenience and personalised solutions. And we will continue to expand our digital advisory capabilities, scale the omnichannel experience and build an integrated and relevant customer journey.

At the same time, we will make it easier to access the information needed for business planning, both online and offline. We are doing this so that business owners have a reference point for what it means to grow their business sustainably, create value and ensure relevance across the supply chain. We started with the launch of the BCR Romania PMI®, a key indicator of economic health developed by S&P Global.

Available for the first time in Romania through BCR, PMI® is an essential tool for all financial institutions, central banks, local authorities and governments, as well as for investors and companies in all sectors of the economy, providing a reliable basis for strategic decision-making and the formulation of coherent economic policies.

When we talk about artificial intelligence, as with any new technology, from metaverses to edge and quantum computing, it is necessary to consider human capital. Any company that wants to perform, and any society that wants to prosper, cannot exist with people excluded from the workforce. In other words, GenAI is not a solution to the talent shortage, which could become even more acute if there is no overall reform of the education system and if we do not continuously invest in skills and reskilling.

At the moment, investment in human capital and managing the transition of the workforce is a major concern for all industries. Automation is leading to significant changes in job requirements. It has the potential to eliminate some jobs while creating new ones that require different skills. And to manage this transition effectively and ensure that the workforce remains employable, we need to invest in training and lifelong learning.



Much of the challenge lies with HR departments, which need to look at how the job structure of the future is changing. They need to follow and anticipate market trends and even prepare skills migration strategies to support change through reskilling, upskilling and multiskilling. And that means:

- providing professional development opportunities and clearly defined career paths for employees, encouraging them to take on new and more complex roles within the organisation;
- encouraging continuous learning and adaptability, including by providing access to online learning resources, workshops and seminars;
- implementing technology to assist employees, such as augmented reality for training and on-the-job support, or artificial intelligence to help with complex decision-making;
- working with universities and technical colleges to develop training programmes that meet emerging market needs, including through internships and training programmes, as well as collaboration with peer institutions in other countries that are advanced in innovation and digital technologies.

GenAI plays an important role in the transformation of society and the strategic development of companies. It comes with a wide scope of applicability – from real-time customer support to personalised content creation, improved operations and better project management – with tremendous potential to streamline routine, repetitive activities and optimise work processes. But it is important to distinguish between streamlining existing activities and replacing labour.

Studies on the future of work show that in the next 10 years, 50% of the jobs we have today will be automated, and 9 out of 10 jobs will require digital skills. So, in essence, we are talking about how we are preparing for the economy of the future and helping people to be aware of and anticipate changes in the labour market. About how people know how to use technologies and understand the added value they bring to their work. But above all, how we keep employment at an optimal level across the country. And for that we need people to create, implement and manage new technologies.



Risks and unintended consequences of AI

At a societal level, many of the implications of GenAI are still uncertain. As the role and impact of GenAI in society and people's lives grows, more and more experts are expressing concern about the potentially significant unintended consequences that could arise. The pitfalls associated with the integration of the technology are also evolving rapidly.

The proliferation of fake photos, the use of counterfeit audio and video, and the widespread use of emerging cyber technologies in military conflicts are just a few examples where intelligence, whether human or artificial, is not being used for good. Consequently, there is a need for limits and ethical governance principles that strictly prohibit, for example, the arming of robots and their use to harm or intimidate humans.

It is understandable that nearly two thirds of global and CEE CEOs are concerned about increased cybersecurity threats from the introduction of GenAI, and more than half of global and regional business leaders agree that an unprecedented spread of disinformation is possible in the next 12 months. In addition, more than two in five business leaders believe that legal and reputational risks are increasing.

In Romania, CEOs appear to be less concerned about the risks of GenAI than their global and regional counterparts. However, more than half (55%) of executives in our country are concerned about cybersecurity issues (e.g. phishing attacks and data breaches). At the same time, nearly four in ten (39%) executives feel threatened by the spread of false information, and just under a third (31%) are concerned about legal liability and reputational issues.

However, when it comes to bias against particular groups of employees or consumers, CEOs are divided, suggesting that such issues will remain in focus over the coming period as the scope and complexity of Artificial Intelligence grow.

Taken together, these findings underscore the responsibility that CEOs have not only to their companies but also to society to ensure that their organisations use GenAI responsibly. Given the speed of innovation, the pace at which this technology is advancing, and the inevitable delay in establishing new rules and regulations, much of the responsibility for managing this technology will fall on companies for the foreseeable future. Various cyber technology laws have recently been introduced, and more are in the pipeline – and this process will continue. However, it is imperative that management teams put in place rigorous systems of internal control over the privacy and training of GenAI applications, both within their own organisations and by third parties (suppliers, customers and other stakeholders).

In conclusion, business leaders need to prioritise cybersecurity and place it at the heart of their technology transformation strategies if their organisations are to remain viable in a digitalised world. For example, one of the innovative approaches will be to use GenAI to strengthen cyber defences.

In line with their global and regional counterparts, Romanian CEOs are concerned about cybersecurity and disinformation risks

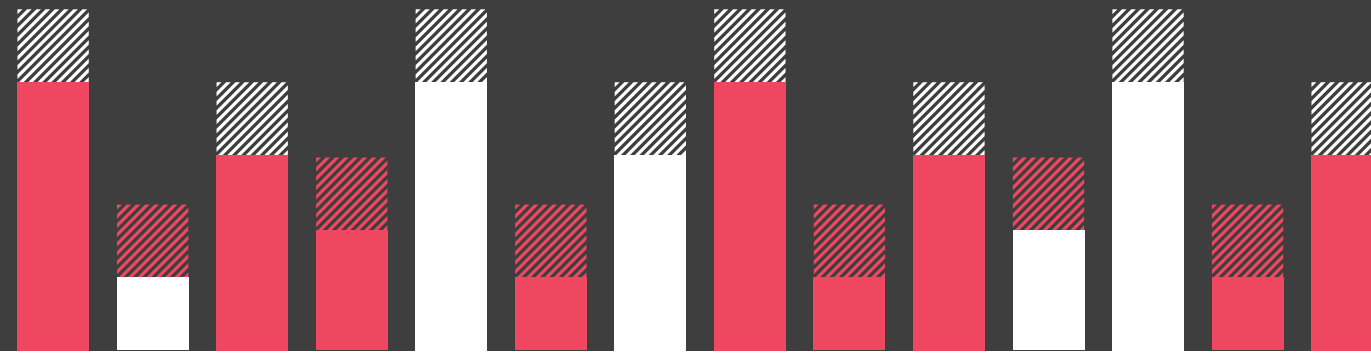
To what extent do you agree or disagree that generative AI is likely to increase the following risks in your company in the next 12 months?





Inside the mind of the CEO

Jovan Radosavljevic
General Manager Coca-Cola HBC România



For this year, we continue to build on our strengths, consolidating our core portfolio of soft drinks, while grasping the opportunities that arise in the newer territories for us, for example coffee and premium spirits. Innovation continues to be at the forefront of growing the business and transitioning to more sustainable operations. We are a company that has been present on the local market for almost 33 years, with a strong commitment to grow sustainably and a constant solid contribution to the local economy.

As members of the beverages industry, a sector that has been impacted in the past two years by successive discriminatory measures, we hope to have a more predictable environment, especially in fiscal terms, this year, but also in the years to come. This is something that all industries need, to continue investments that provide growth. The rise of the VAT rate from 9% to 19% for soft drinks, implemented at the beginning of 2023, produced a 10% drop in our sector's volumes last year. Starting with January 1st, 2024, we face a completely new excise tax applied only to our sector - sugar tax for non-alcoholic beverages - that will have an additional impact not only on our business, but on the entire value chain, affecting mainly small traders and customers that are already facing a decreased purchase power.

Another element of price increase comes also from last years' evolution of production and raw materials costs. Overall, the external environment has been volatile in Romania and this plays a negative role on medium-term plans of companies such ours.

Indeed, pressure level steps up on all these megatrends affecting global business. From my point of view, reinvention means, first of

all, adapting our operations to the overall external environment translated in protecting the core business of sparkling soft drinks, while grasping the opportunities that arise in the newer territories that we entered, for example coffee and premium spirits. This is the essence of our vision of being a 24/7 company, being able to offer consumers the right beverage for any time of day or night and for any lifestyle. We stay true to our long term strategy and we don't compromise when investing in our people, developing internal capabilities, digitization, implementing new technologies and sustainability to support our transformation.

In terms of digital transformation, an important project, which also shows our focus on providing the best experience to traders which purchase products from the Coca-Cola HBC portfolio, is the partnership we have with Heineken, jointly owning Stockday - an e-commerce platform dedicated to operators in HoReCa and traditional retail. Through Stockday they can order products from the Coca-Cola HBC portfolio at any time, have visibility over their available stocks, which are updated in real time, benefit from complete, on-time deliveries and can easily monitor the status of orders, invoices and payments.

Being a consumer packaged goods business with a significant environmental footprint, we prioritize investments towards transforming the way we design the packaging, produce the soft drinks, and deliver them to consumers.

Our packaging should never end up as litter - not only because of the terrible impact on the environment, but also because this material has a value. We are working to ensure that the right infrastructure is in place so we can collect back our bottles and cans for recycling.

Over the last 5 years, we have been actively involved in the design and implementation of the Deposit Return System, the biggest circular economy project Romania has ever had. In the same time, we have had this goal of switching our entire PET portfolio to 100% rPET (recycled plastic) to be able to avoid the use of new plastic and drive a great drop in CO2 emissions. So we decided to invest in our own rPET production facility to enable our progress. Last fall Coca-Cola HBC Romania became the first beverages producer on the local market to have such unique internal capabilities to produce food grade rPET for all our containers. This is a perfect example of reinvention and transformation of our business as 5 years ago I would not have thought we would start this complementary business of producing rPET.

We have integrated traditional AI in our business for some years now. For example, in order to improve market execution, we fully activated our in-store image recognition technology. This way we free up salespeople to spend more time with customers, improving revenue per outlet. We put efforts behind a technology enabled route to market by implementing business analytics tools to support segmented execution. Using extensive internal and external data to generate outlet-specific suggested orders and recommended activities, we have improved the order-taking process and execution. Further benefits have been achieved through the pilot of an online customer relationship management platform leading to faster and more flexible customer interactions and greater customer satisfaction.

Our people come first. We continuously invest to create an enjoyable and inclusive work environment that nurtures and develops all our

people. This includes reshaping how we work together. In 2022, we launched a programme that will simplify our business processes, reducing bureaucracy and complexity. The aim is to free up our people to focus on the work that matters most. And I'm proud that Romania is a pilot country for this programme. To identify opportunities for simplification, we invested in process mining, using Artificial Intelligence to map core processes. Combining the analysis with process expertise, we have defined priority areas where technology is being used to simplify and standardize for greater efficiency.

GenAI is pretty new for us. We are doing some cool innovation with Microsoft around digital twin capabilities. Digital twins is this ability to take data from sensors in production markets and recreate that representation of the physical production line in the virtual world. You have the ability to use that to simulate changes of configuration, changes of parameters before deciding on which scenario you would actually implement on the physical line. We have that in our facility in Austria up and running. This pilot digital twin project led to a 9% reduction of energy usage and a reduction of CO2 emissions in the piloted production line.

We are at the beginning of our journey with GenAI, looking for efficiency and productivity, but as mentioned before, it's a new area which is not well regulated yet. As Coca-Cola HBC chief digital and technology officer Mourad Ajarti always says, we have to balance between the rush for exploration, for learning, for prototyping, while keeping a good framework that makes us create 'responsible AI'.

5. Prioritising climate change

Action on climate change

Alongside GenAI, climate change is another disruptive megatrend pushing CEOs around the world to transform their business models and reinvent their organisations. However, progress in meeting targets in this area is still far from successful. It is clear that better progress needs to be made on business action to address accelerating climate change.

Most CEOs report progress on decarbonisation, but fewer say they are taking other climate action. In addition, around a third of respondents have no specific plans at all on issues related to climate change adaptation, a just transition to climate neutrality or the natural environment.

For example, around two thirds (65%) of global CEOs say they are currently working to improve energy efficiency, while another 10% say they have completed such initiatives. In addition, around half (51%) of executives say they have innovation processes underway for new green products, services and technologies.

Among the climate change actions that CEOs say they are less likely to take are two issues with important social implications.

The first, retraining the workforce, is an important part of a just transition to a net-zero economy. For example, a smaller percentage (39%) of global business leaders are implementing workforce upskilling initiatives to prepare for the changes that climate change will bring to their business models.

The second area of concern is investment in climate solutions for the natural environment. The accelerating decline of natural ecosystems and the lack of action by society make the loss of the natural framework an increasingly urgent challenge. As a result, CEOs should be looking for ways to create nature-friendly business models that mitigate risks and have a positive impact on society as a whole, not just to enhance financial returns. For example, reforestation can help sequester emissions while improving biodiversity, directing capital to developing economies and supporting indigenous peoples and local communities.

Similarly, only 38% of respondents globally incorporate climate risk into their financial planning, for example, by budgeting for losses from severe weather events, purchasing specific additional insurance, considering interdependencies in supply chains and new tax and incentive regimes.

Energy efficiency appears to be the most important objective for business leaders in CEE – bringing direct financial benefits such as cost savings and helping to reduce energy dependence on Russia. More than seven in ten (71%) of the region's CEOs say their organisations are taking steps to optimise energy consumption, while a further 15% say they have already taken such steps.

In Romania, 81% of CEOs say their organisations are taking or have taken action to improve energy efficiency (including reducing their own energy consumption). Nearly three in five (59%) of our country's business leaders are implementing or have already completed innovation processes for new environmentally friendly products, services or technologies.

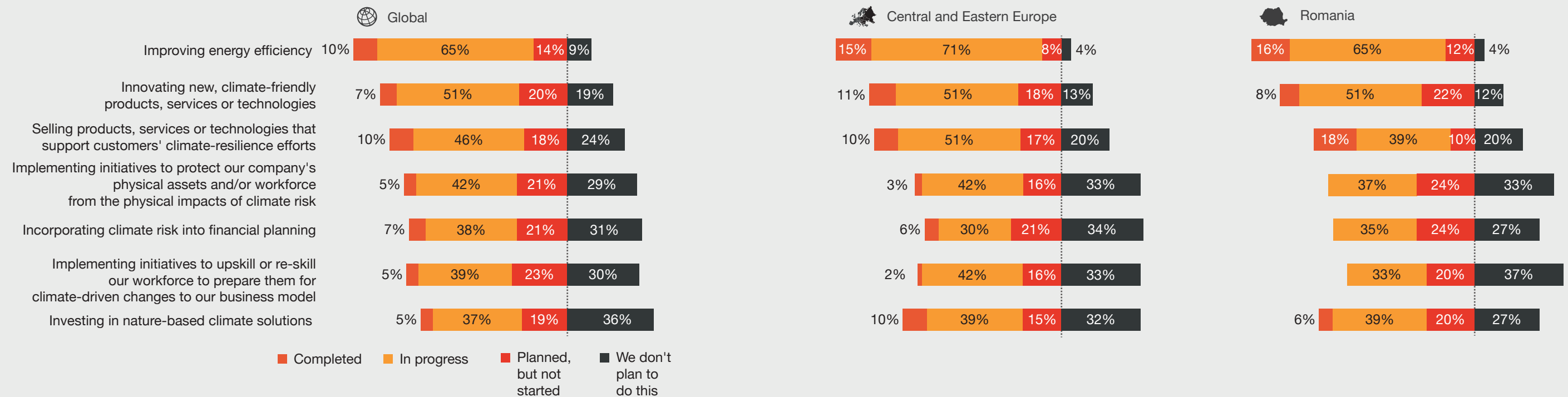
A similar proportion, 57%, are taking or have taken steps to sell products, services or technologies that help customers adapt to climate change. In addition, 45% of business leaders in Romania have invested or are investing in climate solutions related to the natural environment (e.g. restoration of ecosystems, protection of green spaces and regenerative agriculture).

Technology has great potential to accelerate the sustainable transformation of organisations. Its use facilitates the collection, analysis and reporting of data relevant to the analysis of progress towards sustainability goals, as well as the assessment and management of risks, including those in the supply chain, which is highly exposed to social and environmental issues due to its operational and geographical complexity.



Although only a small proportion of CEOs report having completed actions to address climate change, a higher proportion say they have such approaches and initiatives underway or planned

Which of the following best describes your company's level of progress on each of these actions?



Environmental investments

Globally, around two in five (41%) CEOs say that in the last 12 months they have agreed to accept a lower rate of return on climate change investments than on other types of investment. This may be evidence that business leaders are willing to invest in the sustainability of their organisations.

In Romania, almost half (47%) of CEOs say that in the last 12 months the organisations they lead have accepted lower levels of profitability for environmental investments (e.g. switching to energy efficient operations, developing greener products and services or implementing technologies to reduce emissions). That percentage is higher than at global and regional levels.



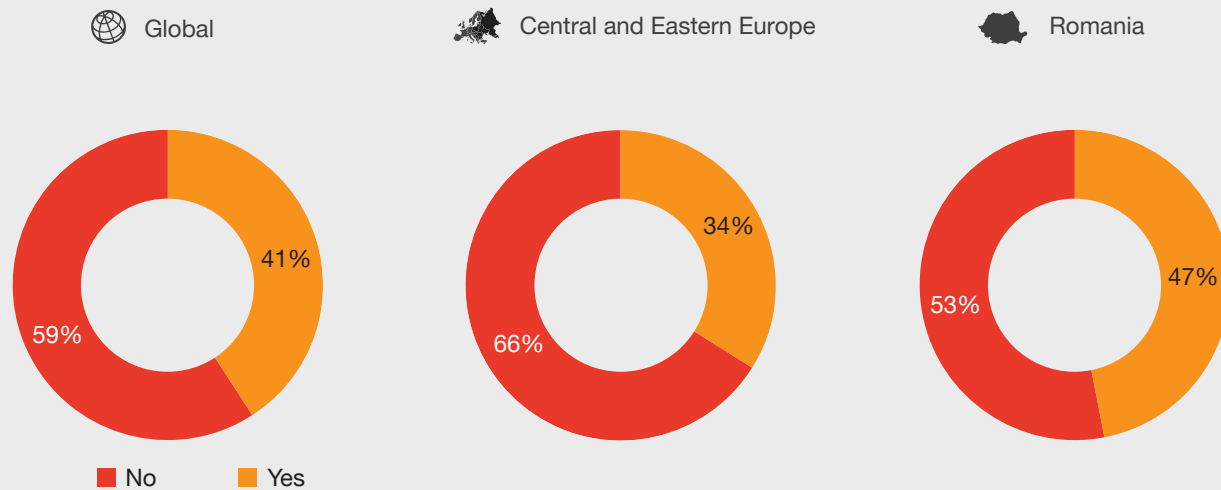
Mihai Anița

Assurance Services Leader
PwC Romania

“Corporate compliance with standards and regulations – such as the European Union’s Corporate Sustainability Reporting Directive (CSRD) – is becoming an increasingly important factor in investor decision-making. Consumers are also paying more attention to environmental, social and governance factors and expect companies to invest in green technologies, especially in high-emission industries. But these investments can have a short-term impact on profitability. For a company, cost-benefit criteria are key elements in resource-allocation and risk-management decisions with the aim of building sustainable business models focused on value creation and long-term performance. In this context, CEOs are trying to balance profitability with climate priorities. And the fact that business leaders are lowering their expectations of return on investment in the face of new climate challenges is a positive signal – leaders are recognising the importance of sustainability as a guiding principle for business strategy and reinvention. Concretely, however, they need to identify and implement the interventions and actions that will have the greatest positive impact on nature and climate change. And they need to do so sooner rather than later.”

Romanian CEOs appear more willing than their global and regional counterparts to accept lower levels of profitability for green investments

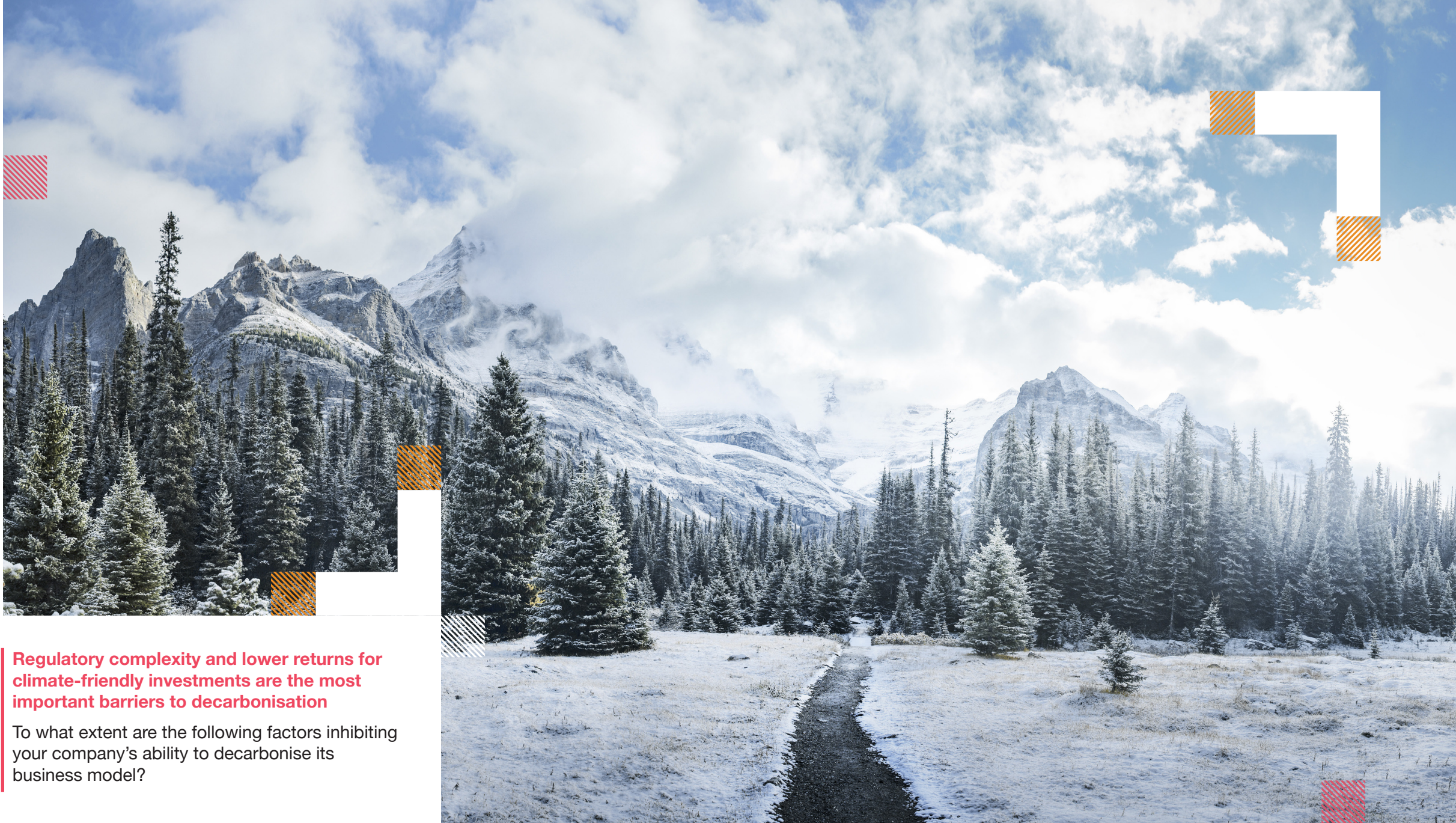
In the last 12 months, when evaluating climate-friendly investments has your company accepted rates of return that were lower than for other investments?



Barriers to decarbonisation

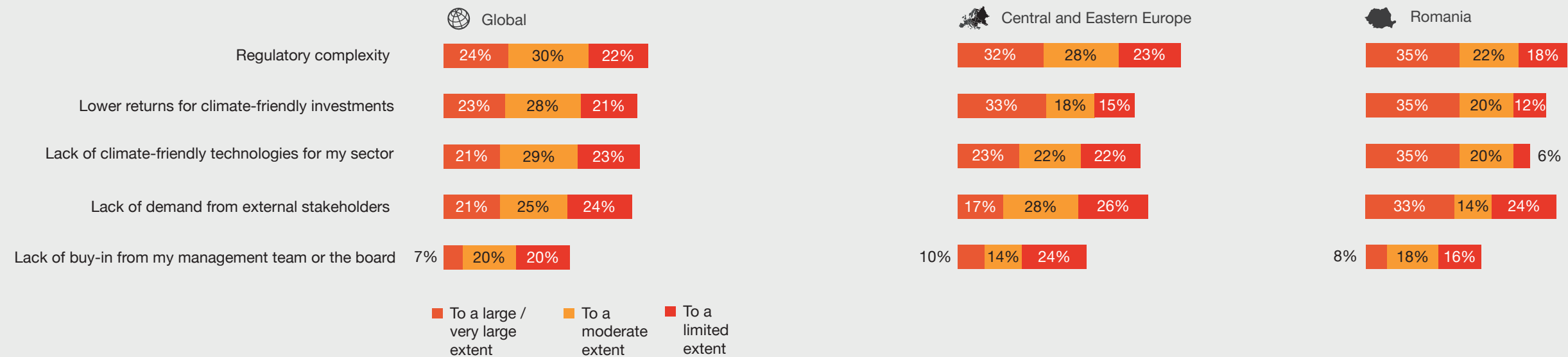
CEOs are almost evenly split between those who feel constrained in their decarbonisation efforts and those who see no barriers. Only when it comes to the involvement of the board and management team does the picture become clearer – for most executives, lack of support is the least perceived barrier to carbon removal efforts.

In line with their global and regional counterparts, Romanian CEOs believe that the main factors hindering their organisational abilities to decarbonise their business models are regulatory complexity (e.g. policy changes and inconsistent local requirements), lower returns on environmental investments and lack of sector-specific green technologies. Of respondents in our country, 35% believe that each of these three factors has a great or very great impact on decarbonisation efforts. Almost a third of business leaders believe that a lack of interest from external stakeholders (customers and investors) hinders decarbonisation efforts to a great or very great extent.



Regulatory complexity and lower returns for climate-friendly investments are the most important barriers to decarbonisation

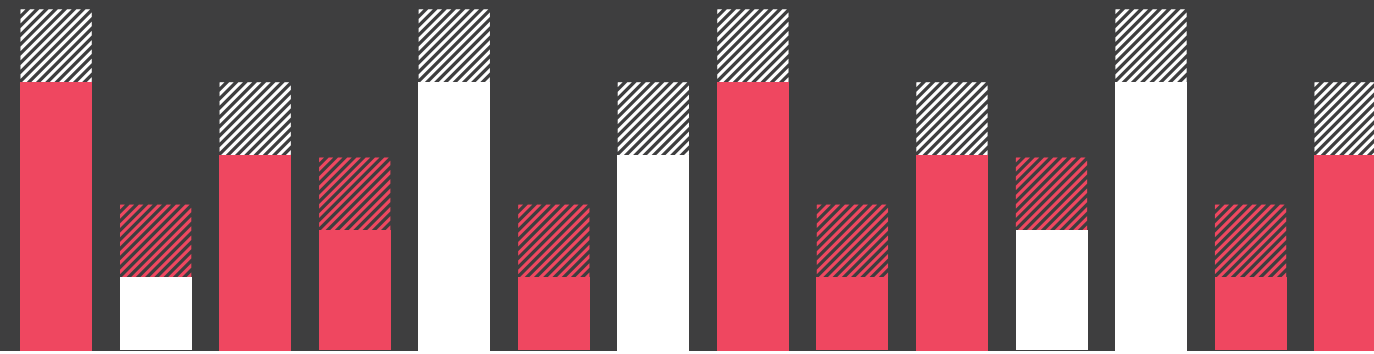
To what extent are the following factors inhibiting your company's ability to decarbonise its business model?





Inside the mind of the CEO

Lăcrămioara Diaconu Pințea
Country Manager Romania OX2



The opportunity is given by the fact that Romania continues at a constant pace in its transition towards achieving climate neutrality in coordination with the EU. There is political will and investor interest, there are important budgets to support this effort – the Modernisation Fund, PNRR, Just Transition Fund and REPowerEU, as well as from financial institutions and financial and strategic investors.

According to the available reports and estimates, investments in the renewable sector in the EU were around EUR 150–200 billion in 2023. These investments have been directed towards various technologies and projects, including wind farms, solar farms, energy storage systems, smart grids and other infrastructure associated with renewable energy. I believe that the renewable sector will become the largest energy investor in the coming years. Under these conditions, forecasts from government or industry sources are that in 2030 we will add 10–15 GW of new wind and solar power generation capacity.

Investments in renewable energy have a direct impact on the economy. The concern, in my view, is about the whole context, which remains complicated macroeconomically, politically and geopolitically. Romania has a very electoral year in 2024, with four sets of elections, which could disrupt some aspects that for us, energy investors, are essential. I mean here, for example, the project authorisation process and the way in which the business plans of private investors intersect with the plans of the authorities.

The cost of financing remains high, there are elements of uncertainty in the area of long-term contracts – PPA, the mechanism of contracts

for difference, the process of connecting to the national grid. All these elements make up an uncertain context and the market reaction is the offer with insufficiently attractive prices for a developer.

Because of this, investors continue to show reluctance, and there is a risk that the investments we need to achieve our European potential and targets will take much longer. Studies show that every euro invested in electricity generation mainly from renewable sources has the potential to generate a gain of 0.3 euros for the economy, and every million euros invested would create an average of six jobs.

OX2 is powering the great shift, therefore we contribute to the reinvention and transformation of businesses through the essence of our activity. Change is happening right now and is increasingly measurable. A recent EU-wide statistic from Ember shows a ‘monumental’ change, with wind producing more electricity than gas (by 15%) and coal (by 26%) in 2023 for the first time.

At the OX2 group level, the portfolio is constantly growing. At the end of 2024, it reached 47 GW in the 12 countries where the company operates compared to 37 GW in 2023. In Romania, OX2 projects are moving forwards, and our thoughtful way of development means constant organic growth but also through carefully made acquisitions that ensure the solidity of the portfolio. Our plan is to start new projects as we complete the development stage and start construction on those already in the portfolio, with a strategic or financial investor with us.

The OX2’s perspective is clear: our projects are top quality, bankable, that end up being built and put into operation. I can say that the focus is both in the area of project authorisation and in the area of responsibility towards nature and towards the community, which have acquired new values.

Let us take for example a wind project that has to obtain environmental approval. Even if the authorities do not require biodiversity monitoring in the relevant area for that project, we do it. It is in line with the requirements of any investor in such projects, with those of financing institutions in accordance with IFC standards. We aim to build and operate projects without affecting natural habitats, such as the migrating of migratory birds. Offshore wind projects also have this biodiversity check. For example, OX2 and Ingka Investments, the owner of IKEA, are developing the Neptunus project in the Baltic Sea, which aims, among other things, to oxygenate the seabed to stimulate marine life.

‘AI and energy are the new power couple’ is the title of the International Energy Agency’s (IEA) November 2023 report. From making energy production and demand forecasts more flexible to managing the grids of the future using much more powerful analytical tools, it is clear that the role of Artificial Intelligence (AI) in energy will be critical. In the field of renewable energy, AI has started to have relevance in identifying project locations for renewable energy potential. AI can help to develop renewable energy sources such as wind and solar by predicting energy production, optimising performance and improving maintenance needs.

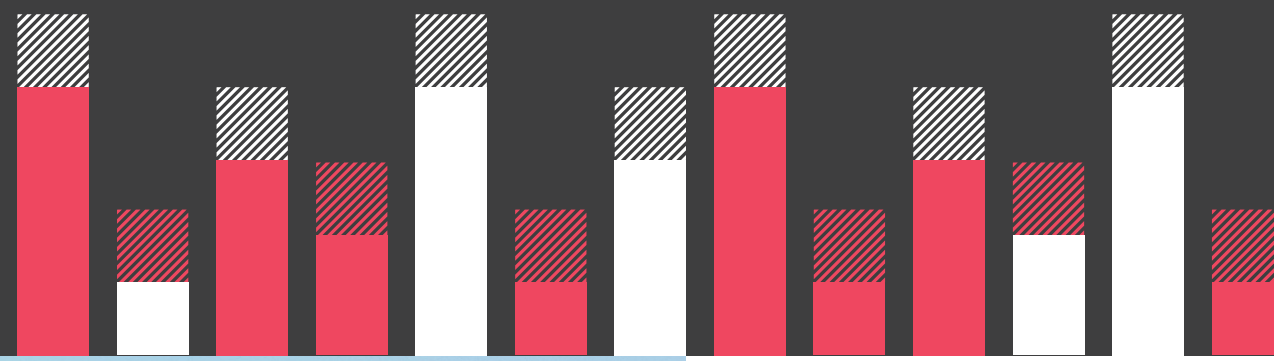
For example, AI can be used to make wind turbines more efficient. They are equipped with sensors and AI algorithms that can

predict changes in wind conditions and adjust operation accordingly. In addition, the AI-based maintenance program is used to proactively identify and resolve issues, reducing downtime and maintenance costs. AI can also contribute to biodiversity conservation by investigating data on species, habitats and threats to them. This can help the design of conservation strategies and improve understanding of the complex relationships between different species and their environments.

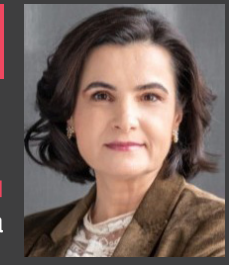
In OX2, we use or are in the process of implementing some AI applications in production departments with repetitive work, in jobs that involve a low or medium level of involvement in managerial decisions. Equally, we look to our design service or equipment providers for those solutions that also involve GenAI, given that it can be used for:

- generation of synthetic data for simulations – synthetic data imitates the behaviour of renewable energy systems such as solar and wind power generation;
- generation of projects and documentation associated with renewable energy projects;
- generation of reports and analysis associated with renewable energy projects.

By applying GenAI to renewable energy projects, benefits can be achieved in terms of efficiency, innovation and cost reduction, helping to accelerate the transition to a more sustainable and resilient energy infrastructure.



Inside the mind of the CEO



Mihaela Bitu
CEO ING Bank Romania

Rather than completely replacing human talent, GenAI can be used to complement and support the existing talent pool. Employees can work collaboratively with AI systems to achieve better results and further leverage human creativity and expertise in the work process.

We all follow the development of AI solutions, and as they improve and become more efficient for business it makes sense to integrate them into the company's activity, with the mention that at the same time we have to take into account the risks associated with this megatrend.

However, the risks associated with AI must also be considered before the technology is applied in this sector, and I mean threats to cybersecurity and privacy, the influence of errors on data and poor correlation caused by inadequate training, missing data or coding errors.

A clear opportunity in banking is to use technology to redefine operating models and revolutionise the customer experience. Technology is evolving at an accelerating pace, and Generative Artificial Intelligence brings new possibilities. Of course, the adoption of technology must be done with great responsibility, but it is a trend that no one can afford to ignore. At ING, we have been driven by innovation since our inception, so current trends are very relevant and inspiring. Throughout our 30 years in Romania, we have improved the range of services and digital products offered to our customers year after year, contributing to the modernisation of banking services in Romania.

Indeed, we face many uncertainties and megatrends that make it difficult for leaders to ensure a sustainable future for their organisations. What is essential is agility, the ability to identify and act on key opportunities. For us, it is very important to take our 'phygital' business model, which has been and continues to be successful, to the next level. We need to get better and better, remove as much friction as possible from the customer's relationship with the bank, and focus our resources on areas where we can add value. This requires many strategic changes and initiatives, both operational, technological and commercial. We are working on a new long-term strategy that will define a vision, a set of ambitions and a roadmap. One thing is certain: at the pace of change we are experiencing, any long-term strategy will change and pivot along the way, so the agility of leaders and organisations will be a key ingredient for success in the future.

At least as important is the area of sustainability, which we strongly promote. It is essential to build a better and sustainable future for future generations, and the efforts of every company and every individual count. We no longer have the luxury of treating sustainable practices, especially those related to climate change, as a long-term goal, but it must be at the top of our agenda every day. The past year has seen a steady increase in the volume of funding that contributes to the transition to a greener economy. We mobilised more than EUR 1 billion in sustainable finance, including both loans and intermediated green bonds. ING also provided EUR 5.2 million for projects that support financial health and climate action through civil society partners.

There are many possible applications of GenAI in banking, and we are working with colleagues in the ING Group on several projects, some at an advanced stage, others in the design phase. The potential benefits are manifold, whether in terms of operational efficiency or customer experience. This technology can bring productivity gains in various types of activities and, in this context, can go some way to addressing talent shortages, but it cannot be considered a universal panacea. The banking sector is a critical part of the economy, so we need to be very careful in managing the risks associated with the introduction of this new technology, which can be significant.



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To discuss in detail the results for Romania of the annual PwC Global CEO Survey 2024 please contact us:

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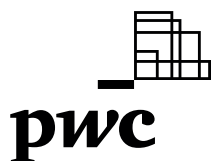
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