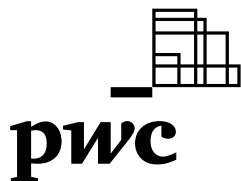


Main results for Romania of
PwC Global CEO Survey 2023

Reinventing the business for the future

www.pwc.ro



About PwC Global CEO Survey

For 26 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 26th edition, PwC surveyed 4,410 CEOs from 105 countries (including Romania) during October and November 2022 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 99 business leaders in the region. The 12th edition of the key findings report for Romania explores the views of 85 CEOs in our country who responded to the online survey.

Note: Percentages in the report may not add up to 100% due to rounding, exclusion of certain response options (e.g. “other”, “do not know” or no answer) and questions where more than one answer option could be chosen.

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Dinu Bumbăcea
Country Managing Partner
PwC Romania

Do CEOs allocate enough time to reinventing their organisations? What does it take for a business to operate successfully in the current environment and for the foreseeable future? And for it to exist a decade from now? Certainly, these questions are not new to organisational leaders, but they are coming up again in the 26th edition of the global PwC CEO Survey, with the unprecedented escalation of potential long-term threats and disruptors to companies, nations, human society as a whole and the planet itself.

CEOs focus daily on the most important vulnerabilities and opportunities alike. At the same time, they need to put in place a strategy to ensure the sustainability of the organisation beyond their mandate, over as long a time horizon as possible. Globally, nearly three out of four CEOs believe that global economic growth will slow this year. And around four in ten do not believe their organisations will be economically viable in a decade's time if they continue on their current course. These views imply a double

imperative on the agenda of today's business leaders: on the one hand the critical challenge of running today's business operations effectively and overcoming short-term obstacles, and on the other the priority of transforming organisations so that they fulfil the role society so desperately needs – as a catalyst for innovation and solving important long-term problems.

CEOs cannot achieve these goals alone. More than ever, business leaders need to engage and empower their own leadership team if they are to withstand the pressures of today's environment while reinventing the business for the future. Trust helps organisations and individuals to work well together and win today's race while preparing for tomorrow's. Last year's survey report highlighted the relationship between customer trust and company financial performance. Organisations that enjoyed trust were focused on long-term goals, made net-zero commitments and tied executive compensation to non-financial outcomes such as employee engagement and gender, race and ethnic representation. The 2023

survey results show that concern for employee wellbeing and professional development continues to be a pressing need. Workforce and skills shortages are seen as one of the main long-term challenges to profitability.

Trust in one's own team is at the heart of the changing leadership role, amid complex stakeholder dynamics and heightened geopolitical and socioeconomic tensions. Ongoing dialogue with employees about the implications of societal forces on organisations and the imperatives of today's world can help CEOs to strengthen the leadership team and enhance its synergies. In this way, business leaders can give themselves more time to focus on the future so that their organisations progress in the world they are helping to shape.

CEOs also noted the need to work with a wide range of stakeholders to build trust and achieve sustainable results if they are to generate long-term value for the organisation and society. The decisions that CEOs make today will drive

the development of their organisations and communities for years to come. The role of leaders is to identify the vulnerabilities of the businesses they lead and to focus without delay on the best opportunities offered by the market. This will lead to broad and lasting change.

Thank you to all the CEOs in our country who contributed with their answers and opinions to the 12th edition of the country report with the main results for Romania in the PwC Global CEO Survey. As every year, it is an honour for us to make their voices heard more loudly in society.

The perception of CEOs in Romania

Growth prospects				The need to transform organisations for the future			
75%	62%	52%	36%	65%		69%	
expect global economic growth to slow over the next 12 months	expect national economic growth to slow over the next 12 months	are very or extremely confident about their company's revenue growth prospects over the next 12 months	rank Germany as one of the three most important countries for their business growth prospects	believe their business will be economically viable in a decade's time		believe that labour and skills shortages will greatly or very greatly affect the profitability of their industry over the next ten years	
Threats to development				Investments needed to reinvent business			
82%		80%		25%+25%	73%	At least 54%	69%
believe their organisation has moderate, high or very high exposure to inflation over the next 12 months		believe their exposure to macroeconomic volatility over the next five years will be moderate, high or very high		of their time would ideally be devoted to business development strategy to meet future requirements and interaction with employees , respectively	plan to invest in the next 12 months in automating processes and systems and improving the workforce	of investments will be allocated to long-term transformation of the organisation	admit that leaders in their company rarely make strategic decisions for their function or division without consulting them
Business response to economic, geopolitical and climate change challenges				Working for society			
92%	51%	56%	59%	26%		77%	
say they are already reducing operating costs or plan to do so in the next 12 months to mitigate the potential effects of economic volatility	of respondents who say their organisation is exposed to geopolitical conflict say they are considering adjusting their presence in current markets and/or expanding into new markets in the next 12 months to reduce exposure to geopolitical risk	believe that climate change will affect their organisation's cost profiles to a moderate, great or very great extent	say their organisation has already completed or are currently implementing emissions reduction initiatives in response to climate change risk	say their organisation collaborates to a great or very great extent with entrepreneurs or start-ups to create new sources of added value		of respondents who say their organisation collaborates with government institutions, NGOs or academic institutions to address societal issues say they target the field of education	

Inside the mind of the CEO

As every year, the PwC CEO Survey 2023 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 12th 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 March 2023, we asked them to answer two questions, namely:

- **What measures have you taken or are you preparing to take to face the challenges and risks that threaten the global and local economy?**
- **What motivates you to remain optimistic about the future of your company and the local economy in the coming years?**

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



Andreea Pipernea
CEO NN Pensii



By the nature of our business and the impact we have on the lives of the more than 2.2 million Romanians who rely on NN for a more financially secure future, we are always prepared for unforeseen situations that can arise in volatile economic environments. That is why we have a resilient and dynamic approach in all areas of our business. Our prudent and sustainable long-term investment strategy and robust risk management framework, based on a holistic assessment in investment selection and a context-appropriate risk appetite, help us protect clients’ money for the long term. And our focus on digitisation and streamlining operations helps us to provide people with the solutions and interactions they need, as well as transparent, real-time access to all their product information.

The resilience and adaptability of the business environment in the context of the last few years is encouraging, and furthermore, I think we have enough reasons to look to the future with a dose of optimism. At the macro level, the prospects for economic growth, even if still quite modest, the potential for a fall in inflation and the accessibility of investment from EU funds are just some of them. At the same time, the accelerating digitisation of access to financial products such as pensions or insurance and the increasing awareness of the benefits of solutions for a better financial future will support the development of the industry in the coming years. The focus on digitisation is already essential for performance in a highly competitive environment where more and more fintech and insurtech startups are setting the trends for the future. Therefore, the motivation and ability to accelerate our digital transformation creates the prerequisites for achieving our long-term strategic goals.



1. Growth prospects

Current tensions in the business environment are dramatically influencing CEOs' optimism about the outlook for the global economy and national economies, as well as about the ability of their own organisations to generate growing revenues.



Dinu Bumbăcea
Country Managing Partner
PwC Romania

“The last few years have put the whole of society to the test: pandemic, war, energy crisis, the highest inflation rate for decades, rising interest rates, so the pessimism expressed in the current survey, and unheard of in the last 12 years, is hardly surprising. However, Romanian CEOs are less worried about the national economy than the global economy, with 62% expecting growth to slow locally, compared to 75% who expect the global growth rate to decline. Although perceptions of the macroeconomic situation have worsened, our country’s leaders are more optimistic about the companies they run, with more than half expecting business to grow in the next year, meaning they have taken into account a potential downturn in the economy when building their growth strategies.”

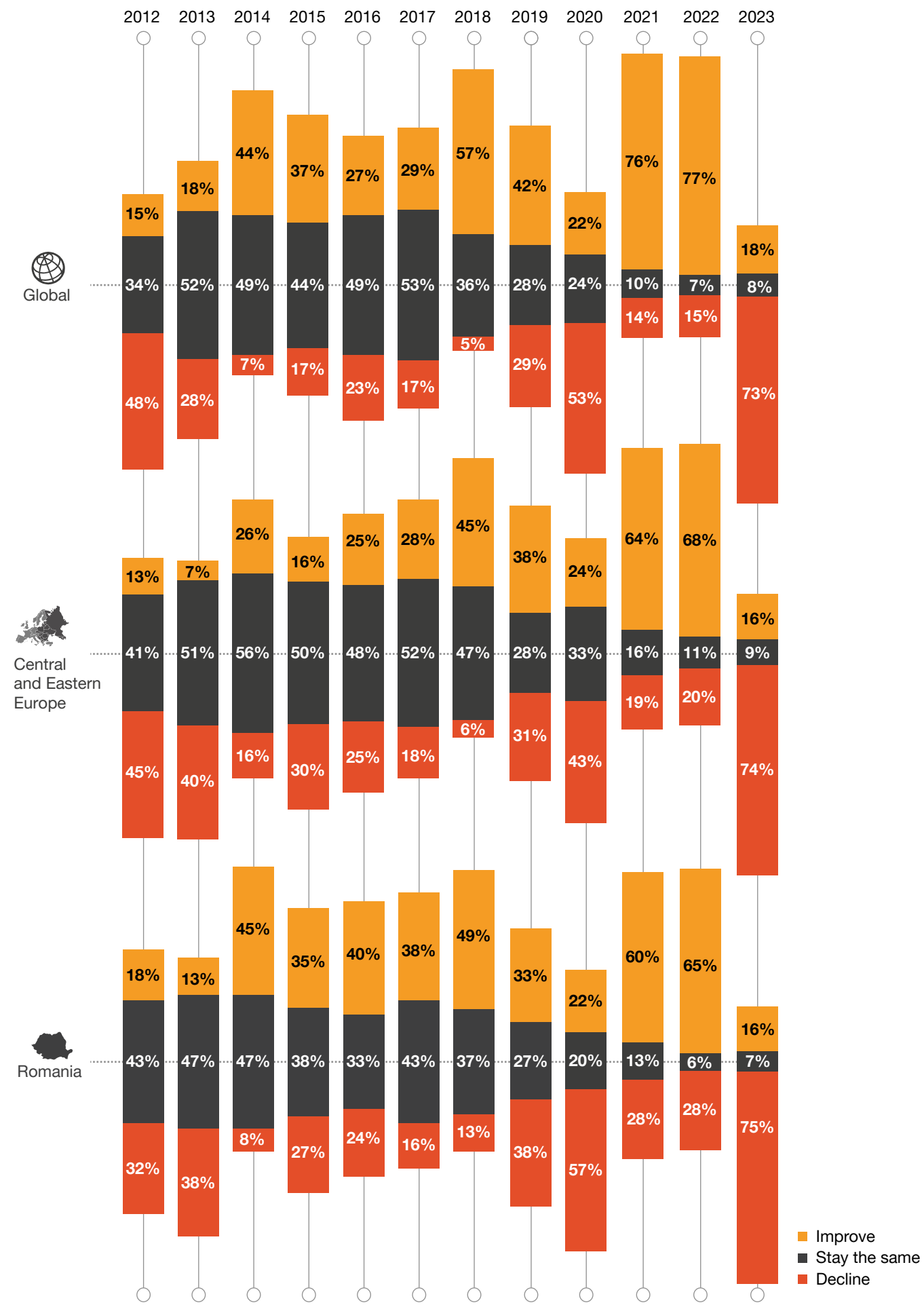
Global economic performance

It makes perfect sense for business leaders to be influenced by current economic, political and social realities. The macroeconomic and geopolitical situation are affecting CEOs' perceptions of development prospects for the period ahead.

The biggest short-term challenge facing CEOs is the state of the global economy and the visible effects of its deterioration. Global, regional and Romanian CEOs report a significant drop in their confidence in global economic growth – the lowest level in the 12 years since the question was included in the survey.

About three-quarters of CEOs expect global economic growth to deteriorate in 2023. The response reflects the most pessimistic perception and represents a dramatic reversal from the highly optimistic outlook of the past two years, when more than three-quarters of global CEOs and around two-thirds of their regional and Romanian counterparts expected the economic growth rate to improve.

The optimism of the past two years, reflecting the hope that the global economy would return to an upward trend as the pandemic subsided, was shattered in 2022 by shocks such as the biggest war in Europe since World War II, along with side effects, such as significant increases in energy and commodity prices, rising wages and widespread inflation, generating a host of concerns about the economy's progress. Thus, faced with extremely difficult challenges in the short term, only about one in six CEOs still expect the global economy to grow more strongly this year.



National economic growth

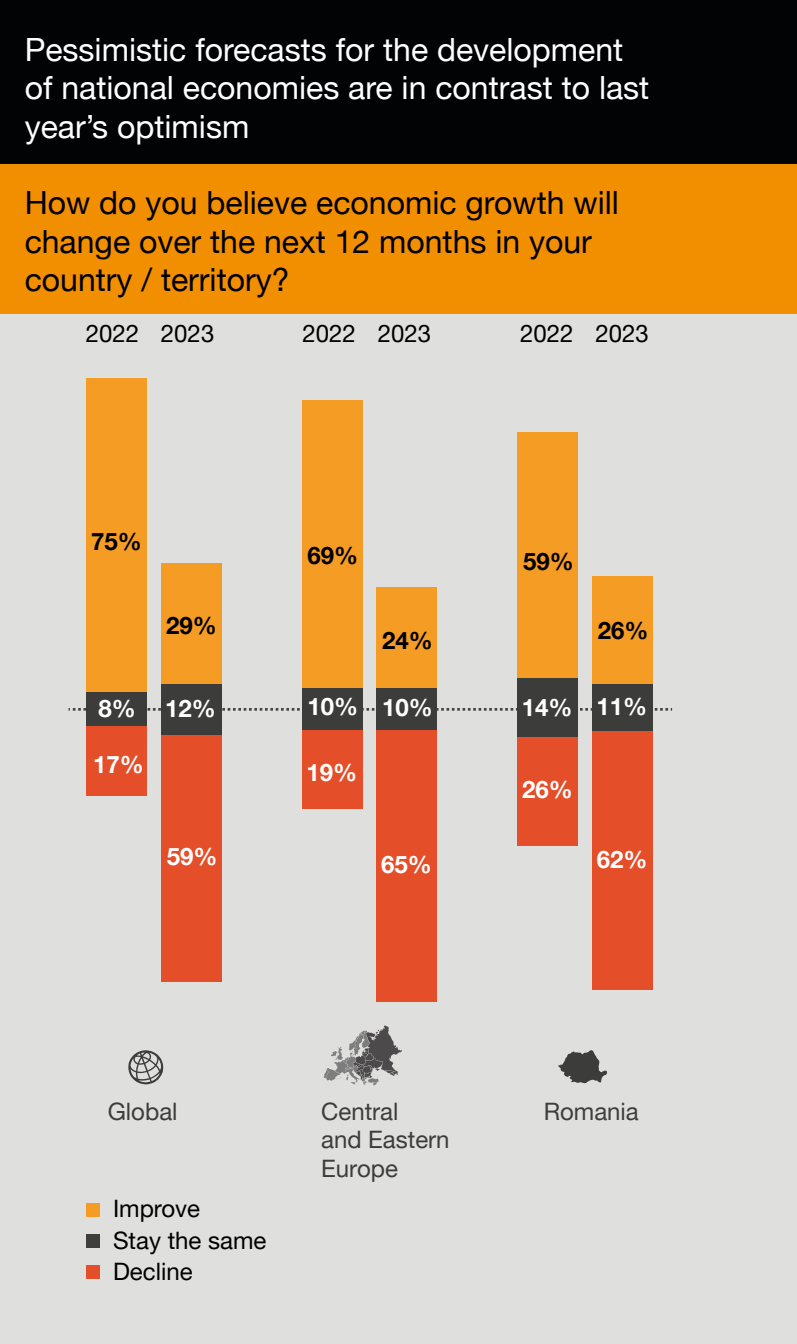
Recent events on a global scale have increased the importance of geopolitics and been felt in many ways, thus influencing business leaders' perspectives on economic growth in their own markets. The increasing focus on national versus global interests reflects an acceleration of recent trends of growing uncertainty about free, frictionless global trade and the deterioration of the post-Cold War consensus on open markets.

In general, CEOs have less pessimistic expectations for the growth prospects of the national economy compared to those for the global economy. However, there is a sharp change from the optimism of 2022.

Thus, about three out of five of the global, regional and Romanian CEOs believe that growth in the national economy will slow down in the next 12 months. Although geographically closer to the theatre of war and feeling the effects of geopolitical conflict more strongly, respondents in the region and in our country are relatively more optimistic about the short-term growth prospects of their own countries than of the global economy as a whole. This is also the case in territories such as the United States, China, Canada, Brazil, India and Japan. However, while preparing for a difficult winter at the time of the survey, CEOs in many highly developed European countries, such as France, Germany and the UK, expressed more pessimistic expectations for the growth of their national economies than for the global economy.

About a quarter (26%) of Romanian CEOs expect the national economy to grow faster (down from 59% a year ago), while only 16% of leaders of Romanian organisations expect the global economy to be stronger (down from 65% in last year's survey). The less pronounced pessimism of Romanian business executives about the national economy compared to the global one is somewhat justified by the

economic growth forecasts for Romania in 2023. That growth is estimated at 2.6% by the World Bank, 3.1% by the International Monetary Fund and 1.8% by the European Commission, which forecasts lower rates for the EU as a whole (of 0.3%) and for the countries in the region: Bulgaria (1.1%), Hungary (0.1%) and Poland (0.7%).



Trust in the growth prospects of their own companies over the next 12 months and three years

In 2023, pessimism about the accelerating pace of growth of the global economy and national economies contrasts with how business leaders assess the future performance of organisations. Although down from last year, CEOs' confidence in the short- and medium-term outlook for company earnings remains high.

Compared to the results of the 2022 survey, this year shows a general decline in CEOs' confidence in their organisations' growth prospects, both for the next 12 months and the next three years. However, overall, business leaders remain more optimistic about the three-year revenue growth outlook than the short-term forecast.

Globally, 42% of executives say they are very or extremely confident about the financial performance of their business over the next 12 months and expect higher revenues, up from 56% a year ago. Down from 64% in 2022, 53% of respondents now consider themselves very or extremely confident about their organisation's chances of increasing turnover in the medium term (three years).

Despite their pessimism about macroeconomic conditions, CEOs in Central and Eastern Europe have a higher level of confidence when asked about issues they can directly control, namely their own businesses. They are slightly more optimistic than their global counterparts about the prospect of a better year in terms of earnings. For example, 46% of CEOs in the region say they are very or extremely confident about their company's revenue growth prospects over the next 12 months (down from 55% a year ago). Optimism among business leaders in Central and Eastern Europe is even higher when looking out over a longer time horizon, with half of the respondents saying they expect revenue growth over the next three years (down from 58% in 2022).

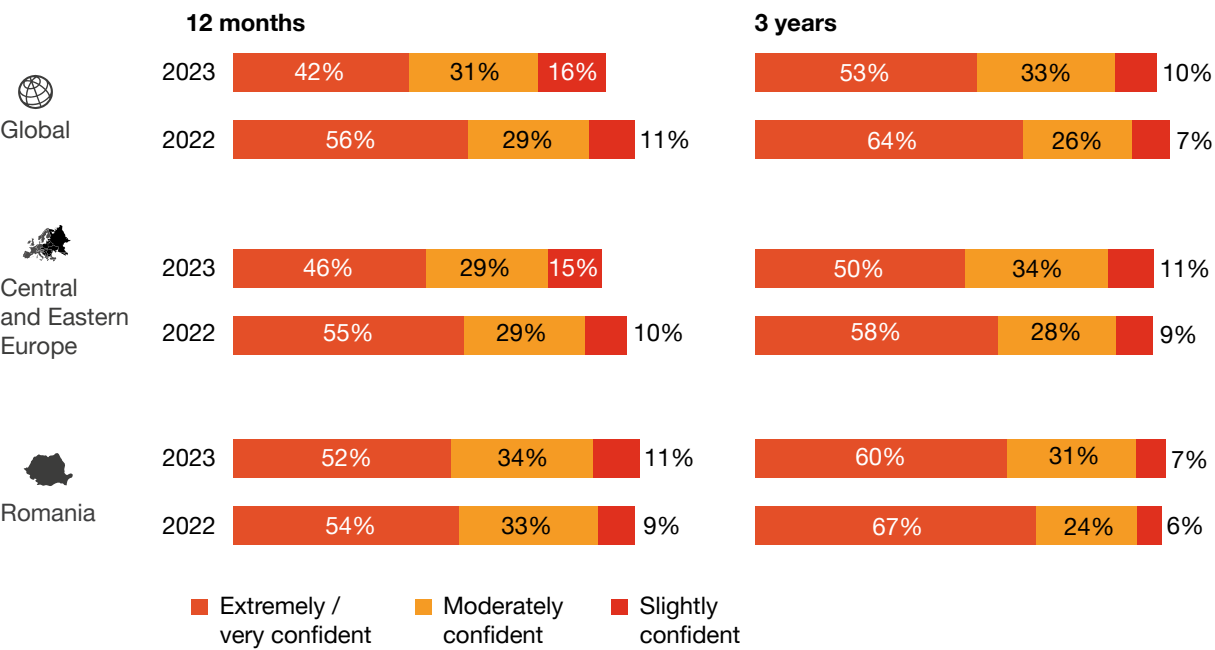
For Romanian CEOs, the year-on-year decline in optimism about their company's ability to grow revenues is less pronounced than that of their global and regional counterparts. Thus, more than half (52%) of the CEOs in our country say they are very or extremely confident in the short term, and another 34% are moderately optimistic, compared to 54% and 33%, respectively, in the 2022 survey.

Even in the case of Romanian organisations' leaders, the degree of confidence is higher in the medium term than in the immediate future. Three out of five CEOs are very or extremely optimistic about revenue growth over the next three years, and almost a third (31%) are somewhat confident about their company's prospects for revenue growth. A year ago, 67% felt very or extremely optimistic, and another 24% were moderately optimistic.



More than half of Romanian CEOs say they are very or extremely confident in their company's future financial performance and ability to generate revenue growth

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



Inside the mind of the CEO



Călin Costinaș

Deputy CEO Profi Rom Food



We are and will be more focused on supplying from Romanian producers, which has two benefits: supporting the local economic environment and reducing the risk of disruptions in the supply chain, as well as having a positive impact on the environment.

We are motivated by the fact that we are an agile, easily adaptable organisation and partnerships with local producers confirm that this is a healthy way to develop a sustainable and long-term business.

Important markets for growth

In terms of business development plans beyond national borders, in the perception of global CEOs, the order of the top four countries is the same as in the previous two editions of the survey. The United States remains by far the best market for growth (cited by 40% of respondents), and it has continued to widen its lead over China, traditionally a distant second (23%, down four percentage points). The two economic superpowers are followed, tied this year, by Germany and the UK, with 18% of business leaders prioritising these countries when it comes to boosting growth for their own companies. In fifth place is Australia (mentioned by 11% of CEOs). Similar to the last three editions of the survey, Russia is not in the top ten countries considered growth drivers in 2023.

When it comes to identifying opportunities to expand abroad, it is not surprising that business leaders in Central and Eastern Europe continue to look primarily close to home. The pandemic shock, ongoing geopolitical turmoil and galloping inflation are causing organisations to look for ways to strengthen their business relationships with partners in countries closer geographically to shorten supply chains. Thus, Germany remains the main growth market in the perception of 42% of the region's CEOs (up from 38% a year ago, 28% in 2021 and 19% in 2020). The next two ranked countries, the United States and China, have maintained their top positions and percentages from a year ago.

CEOs in Central and Eastern Europe are paying more attention this year to Ukraine (mentioned by 8% of respondents), Serbia (6%), Hungary (5%), Czech Republic (5%), Albania (5%) and Bosnia and Herzegovina (4%), reflecting the trend of nearshoring. The geographical preferences of the region's business leaders are also influenced by the effect of Brexit: Italy and France are tied for fourth place (identified as priority markets by 9% of organisation leaders), while the UK has dropped to seventh place (from fourth a year ago) after being selected by 7% of

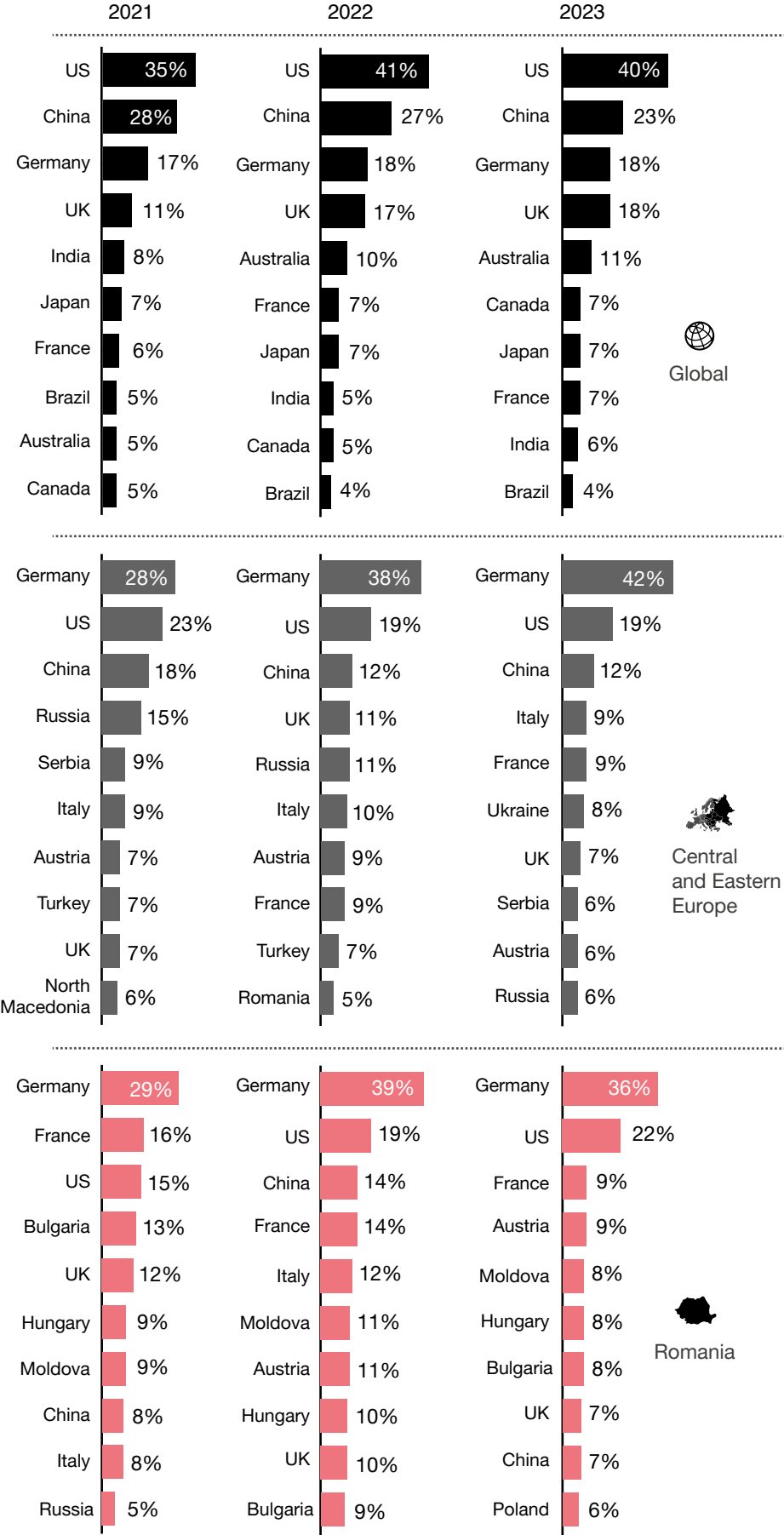
respondents (down from 11% in 2022). Russia rounds off the top ten key markets (down from fifth place a year ago), with 6% of the region's business leaders indicating it as a favourite export destination (down from 11% in 2022).

Compared to last year's survey, changes can be observed in the destinations preferred by Romanian CEOs for the general development prospects of companies in our country. For Romanian business leaders, Germany has for years remained the most attractive foreign market for growth opportunities. Thus, most CEOs (36%) rank Germany as the country with the highest growth potential for their companies. Business leaders' confidence in the United States has been maintained, ranking second, as it was a year ago, with 22% of respondents in Romania citing it, up from 19% in 2022. France also remains in third place, this time sharing it with Austria (both countries selected by 9% of business leaders).

The next three countries (Moldova, Hungary and Bulgaria) are in a tie, being considered by 8% of CEOs when looking for expansion solutions in foreign markets, and up from their positions a year ago. China dropped this year in the ranking of destinations considered favourable for expansion by our country's CEOs, from third place in 2022 (mentioned by 14% of respondents then) to second to last place (by 7%). Poland has returned to the top ten of most important export markets (after taking ninth place in 2020). This year, Romanian company directors are again not particularly interested in Russia, which, as in 2022, is outside the top ten.

In 2023, Germany and the United States will also occupy the top two places in the ranking of countries that generate growth for companies, according to Romanian CEOs. These countries are considered to be, along with China, the most relevant destinations for development by global and regional counterparts, as in recent years.

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?



Inside the mind of the CEO



Cătălin Radu
CEO BMS Romania



Bristol Myers Squibb (BMS) is a pharmaceutical company with innovation deeply embedded in its DNA. For us, every day is a race against time to discover, research, license and market medicines that save the lives of millions of patients around the world.

The team in Romania is no exception and, from the clinical trials in Romania, through the market access phase via national clearing mechanisms to the final stages of promotion and commercialisation of our innovative medicines, all our efforts are aimed at making Bristol Myers Squibb innovations available to Romanian patients as quickly as possible.

To achieve our goals of quality, efficiency and speed, we need the best people. Three years ago, we started a process of team transformation and expansion into new therapeutic areas.

We are the pioneers of immuno-oncology in the world and continue to innovate at the highest level, so attracting valuable people and continuous professional training are central to Bristol Myers Squibb's business in Romania.

The last 30 years have shown us that Romania has embarked on a challenging path towards a functioning democracy and market economy. There have been obstacles and difficult moments caused by local shortcomings or external circumstances. But we have noticed one constant – continuous improvement and growth.

There have been periods of acceleration or stagnation, but the Romanian economy and society have maintained their direction. I see many young people in politics and a growing

awareness of the responsibility of the political factor in the country's economy. I also believe that more and more politicians have understood how important integrity is, how unforgiving politics can be and how firm justice can be when deviations from the rule of law occur. All these factors make me optimistic about Romania's trajectory and development, whatever the challenges.

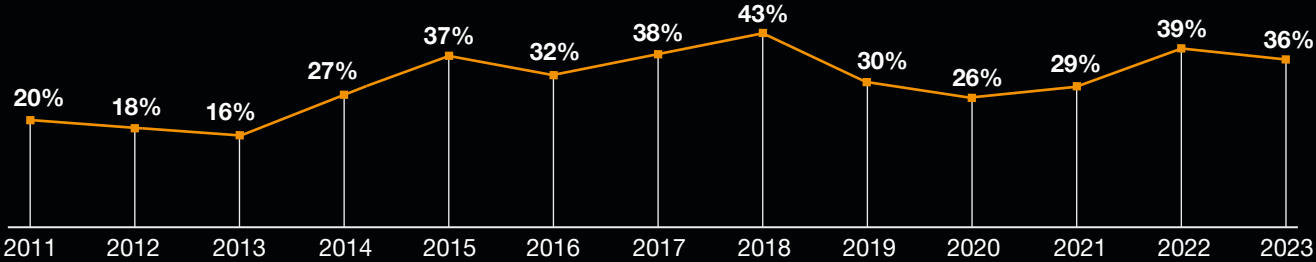
Against this macro optimistic background, I dare to extend this optimism to Bristol Myers Squibb in terms of our portfolio, which we are strengthening and expanding. The products that are marketed, those that are in the launch phase and those that are in various stages of development give me confidence that we will remain at the top of the pharmaceutical industry both globally and locally.

We help save lives and we know how to do it well. We have a great team in Romania of motivated professionals with positive energy and a desire to get better every day. All this makes me proud of the company I work for and the team I work with for the patients in Romania, and this keeps me optimistic for the future.



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



Inside the mind of the CEO



François Bloch
CEO BRD Groupe Société Générale

I think we should strive to anticipate evolutions more than we have done so far, to invest more resources in research and modelling, not only from an economic perspective, but also from a sociological, educational and demographic perspective. Society is changing at a rapid pace, not necessarily in a way that is congruent and synchronised with the paradigms of the economy, and a bank's business is by definition obliged to adapt, doing risk management every day. But if we look at the reality only through the prism of risk, ultimately our vision of the future would become quite narrow and we would most likely end up self-limiting.

I believe we have learned and are still learning a lot in order to find and use lateral solutions that are able to maintain the connection with society and deliver useful solutions for us. For our part, we support the operation of diverse ecosystems, from culture to technology, that address different needs in a highly effective way for both society and business.

We are striving to respond to the challenges we perceive as important: the digitalization of the economy, the green transition, the scarcity of the human resources we need, diversity and inclusion, and we increasingly want to anticipate, to see where both opportunities and threats might arise. We do this by testing scenarios that we write ourselves and then consulting as many partners as possible to check their plausibility. It is an ongoing process, part of the way we relate to both business and society.

We equally pay attention to our staff, which is a very important part of this process. We have intensified and enlarged the continuing education that we provide internally, with a double objective: the first is to develop their professional expertise so that they can better

support our clients which are also facing the same new challenges and risks, while the second is to influence individual behaviors, even outside of the office, in order to make informed decisions and show exemplarity.

The reasons for optimism are solid and I will list just a few of them. Romania has changed a lot in recent years and it has changed for the better. It has matured because it has learned from the experiences that have marked it negatively and has finally achieved a level of resilience that allows it to navigate the contemporary world in relative safety. Companies in Romania already know what the succession of economic cycles means, made up of growths, slowdowns and even crises of regional, continental and global proportions, and are prepared to tackle them. Romania is a country in full development, a member of the Euro-Atlantic community, a safe destination for investment. In this context, we, BRD, are ready to offer all the know-how we have to accompany entrepreneurs, investors, companies and, in general, all Romanians on this path of growth and catching up with developed economies.

2. Threats to development

Macroeconomic conditions that have deteriorated significantly in many countries around the world recently, with inflation reaching levels not seen in decades and heightened geopolitical uncertainty, are increasingly causing CEOs to rethink their companies' contingency plans and resilience strategies. Transforming organisations for the future can only be achieved effectively if potential obstacles in the race to consolidate and prosper businesses in the short term are overcome.

Inflation is the risk factor most clearly perceived by organisational leaders for the coming year. And for CEOs in Central and Eastern Europe and Romania, there is also the spectre of the war in Ukraine, which, more than a year after its outbreak, shows no sign of coming to an end. All countries in the region have been directly affected by Russia's invasion of Ukraine, due to increased dependence on Russian gas and the influx of millions of refugees.

Inflation, macroeconomic volatility and geopolitical conflicts are the most prominent threats perceived by CEOs both for the next 12 months and over a longer time horizon of the next five years. All three issues represent immediate, complex and interrelated risks to business. They can also be mutually reinforcing (e.g. the war in Ukraine is having an impact on prices, thus encouraging central banks around the world to intervene with interest rate hikes that could reduce economic growth). At the other end of the spectrum, social inequalities, including those arising from material status, gender, race and ethnicity, are perceived less as a major threat by CEOs, both over the next year and over a longer time horizon.

There is sometimes a risk that CEOs focus excessively on immediate threats and lose sight of longer-term ones. In the case of cyber security, for example, investments in technology (launching new consumer apps, developing lines of business built around artificial intelligence, etc.) are likely to create some cyber vulnerabilities.

In 2022 cyber threats and health risks were the top concerns of global CEOs for the following 12 months, followed by macroeconomic volatility. This year, two in five global CEOs say they expect to experience high or very high exposure to inflation over the next 12 months. Another nearly 40% of business leaders believe rising prices and declining purchasing power make it moderately likely their organisations will experience significant financial losses. Macroeconomic volatility is the second most important disruptive factor, with 31% of CEOs anticipating high or very high exposure. Another

42% of respondents believe that exposure to changes in GDP, unemployment, etc., is more likely to be moderate for the organisations they lead. A quarter of business leaders also see geopolitical conflicts as having a high or very high likelihood of causing significant financial losses, while a further 35% of respondents think that exposure could be moderate. Next in the ranking of risk factors, according to global CEOs, are cyber threats, health risks and climate change.

As the time horizon widens, global CEOs feel exposed to a broader set of challenges – cyber risks and climate change join macroeconomic volatility, inflation and geopolitical conflicts in the category of the most significant potential obstacles to business and society as a whole. Thus, the order of threats causing high or very high exposure for organisations over the next five years varies slightly: macroeconomic volatility comes first, followed by inflation. Resource disputes, trade, terrorism and inter-state violence threats retained third place, with hacking and disinformation again in fourth place. . In the long term, climate change outweighs the risks of pandemics, chronic diseases and mental health dysfunction.

In the short term, CEOs in Central and Eastern Europe seem more concerned than their global counterparts about the three main threats. While in the 2022 survey, health risks, macroeconomic volatility and cyber threats topped the list of short-term concerns for Central and Eastern European CEOs, the impact of the economic downturn is of utmost importance this year to the region's business leaders. While the threat of war is as real as it gets, it is outweighed by the threat of inflation, while macroeconomic volatility completes the podium. Thus, more than half (55%) of CEOs feel a high or very high exposure driven by inflation, while a further 31% consider their exposure to be moderate. Of the leaders of organisations in the region, 43% believe that geopolitical conflict could cause high or very high business exposure, and over a third (37%) of respondents feel the same about

macroeconomic volatility (plus a further 44% of CEOs who feel moderate exposure from this challenge).

Geopolitical conflict remains a major challenge even when CEOs in the region have a longer time horizon in mind. More than a third (37%) of respondents say their organisation's exposure to this threat over the next five years is significant. By a similar measure, 36% of CEOs in Central and Eastern Europe believe that inflation will result in high or very high exposure, and another 41% of organisational leaders anticipate moderate exposure. It appears that CEOs in the region perceive inflation more as a relatively transitory threat: the percentage of those anticipating significant exposure drops from 55% over the next year to 36% in the longer term. In third place among risk factors over the next five years is macroeconomic volatility, which is cited by 27% of CEOs as leading to a major exposure, while 46% expect their organisation's exposure to be medium.

According to Romanian CEOs, the risk factors with the greatest impact on business development, both in the coming year and in the longer term, are inflation, geopolitical conflicts and macroeconomic volatility.

A year ago, the survey findings showed that more than half of the country's CEOs were extremely or very concerned about macroeconomic volatility. In a close second on the agenda of Romanian business leaders were pandemic risks, followed by cyber security. In 2023, in full consensus with global and regional counterparts, Romanian business executives see inflation as the most important threat over the next 12 months. Nearly half (48%) of business leaders in our country believe their organisations are highly exposed to this disruptive factor.

In the short term, the perception of the following two threats among Romanian CEOs is similar to that of their regional counterparts.

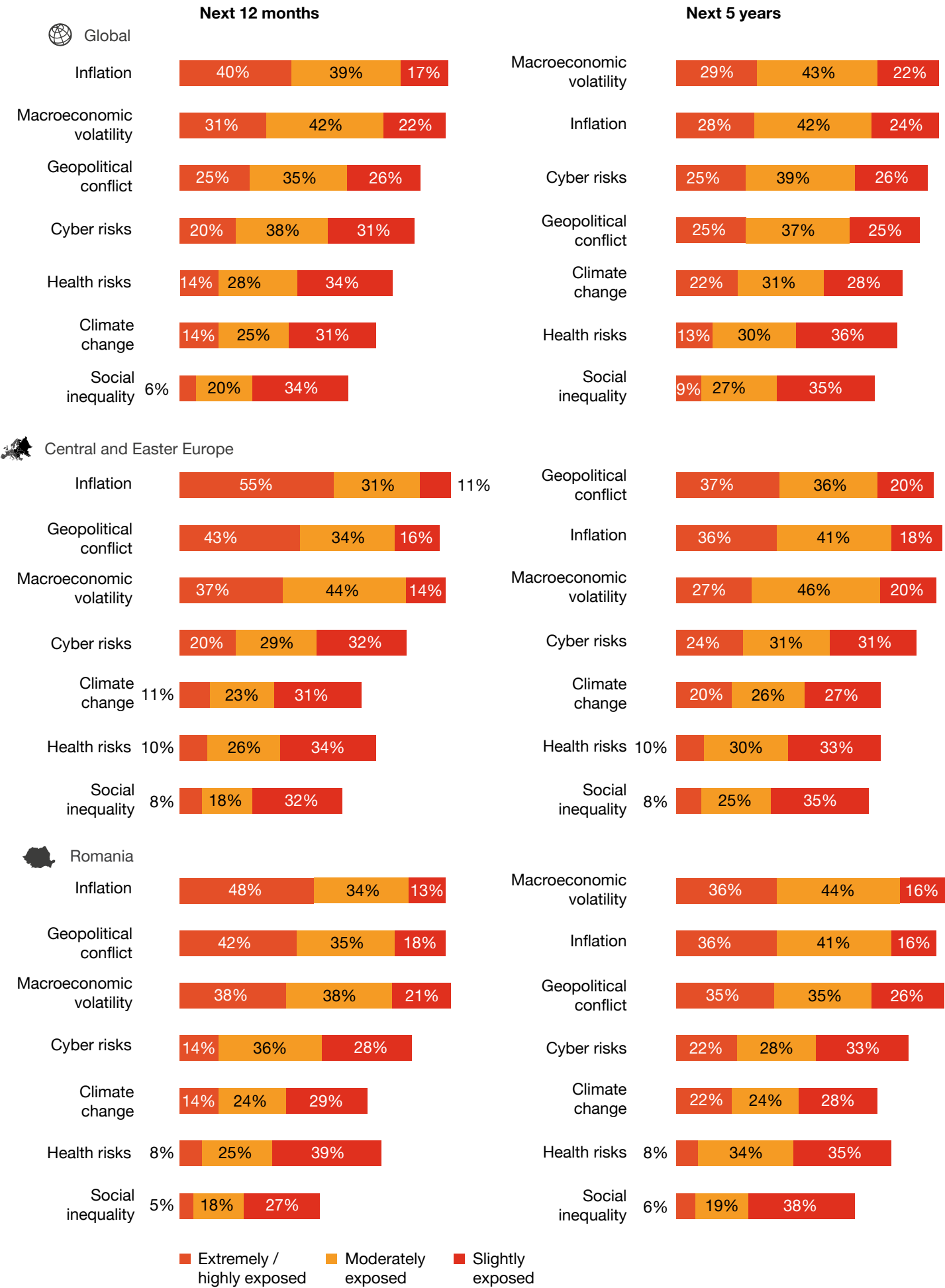
Thus, 42% of the leaders of organisations in our country believe that geopolitical conflicts cause high exposure for companies, and 38% of them say the same about macroeconomic volatility. Cyber threats and climate change (both of which entail physical, legal, technological and reputational risks) follow, at a considerable distance, in third and fourth place, respectively, according to the percentage of CEOs who mention them.

The picture changes slightly when the time horizon widens, with macroeconomic volatility becoming the most important concern over the next five years, followed by inflation and geopolitical conflict. More than a third of Romanian CEOs feel high or very high exposure to each of the three risk factors.



CEOs see inflation, macroeconomic volatility and geopolitical conflict as the main risk factors, both in the short term and over the next five years

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



Inside the mind of the CEO



Julien Munch

CEO Carrefour Romania

It is essential to remain permanently connected to the field, to the reality of everyday life. You need to know how to listen also to the weak signals, those which are not yet grasped by statistical reality. When you make this effort, it gives you the ability to anticipate better, and therefore to prepare better too, not just to deal with risks, but to transform them into real opportunities. This obsession of being connected with your field must permeate the entire company, it must be embedded in the culture of the men and women who are part of it. This is what we are developing at Carrefour.

In my industry, every customer is different, and every customer expects us to meet their specific needs and to offer them the best every day. For more than a year now, we have been facing very high inflation, and everything we have done during this challenging period has been based on the imperative of customer satisfaction, without ever sharing our constraints with our clients, such as supply or energy constraints, for example. We define ourselves as a customer-centric retailer, protecting the purchasing power of the clients by various measures, and we have an extremely granular commercial policy, which enables further improvement in competitiveness.

Our omnichannel approach gives us the flexibility to address crises and meet consumers' expectations, with a direct impact on our growth. It is at the core of our business model, providing us with the tools to cover all formats and have the capability to anticipate and face any change in consumer behavior. Anticipation also means adaptation to continuous shifts in the industry, such as the post-pandemic inflationary context, the outburst of war. We have a proactive approach, and our business model prepares us for uncertainty.

In the economic context that we are in and that will continue for the next period, to remain a top player in its sector of activity and specifically for the retail food and non-food sector, it is necessary to maintain three strong orientations:

1) **Communities are the future.** We understand very well the importance of the communities around us, from our commercial point of view, deeply anchored in doing good while shopping with our Act for Good loyalty app – now at 2 years, counting 1.5 million responsible users, who generated 300.000 donations in app – to our CSR strategy, adding extended value through NGO partner projects.

2) **Fighting for consumers' purchasing power without compromising on quality.** Romanian consumers do not want to choose between the right price and the right product, we must give them both at the same time; this is the whole purpose of a long-term strategy like Act for Food. This vision is what allows us to remain attractive today. The pillars of the Carrefour 2022 plan allow us to offer solutions to customers to address pressure on purchasing power, while staying the course on the food transition for all.

3) Finally, internally, in a sensitive period like today, companies that maintain **strict financial discipline** on their costs and remain demanding regarding the analysis of their investments are the ones that can look forward to the future more serenely.

Romania is an incredibly agile country. Nothing seems impossible; people are creative and very serious at the same time. The strength and commitment of my teams give me this confidence and optimism for the coming period. For Carrefour Romania, I am very confident in our ability to grow and to bring more to our

customers. Carrefour is in a strong position to address crises and increase its leadership, and our most ambitious plan in 2023 is to grow even more and to continue to positively surprise our customers.

Carrefour demonstrated the strength of its model by delivering a remarkable performance in 2022, in an unprecedented inflationary environment, as per results of FY. The Group achieved all its operational objectives, and for 2023, we anticipate growth in its main aggregates. We embrace innovation, as we view digital not only as a channel, but as the basis of our growth and our value creation model.

Beyond the very good results in this demanding context, I am particularly excited about two achievements: firstly, watching the employees of Carrefour Romania strengthen themselves individually and collectively through our internal training programs, and secondly, seeing the results of all the strategic partnerships we have formed with Romanian companies such as 5 to go or Cărturești, and many individual producers or cooperatives. Developing internal talent and supporting entrepreneurs in Romania is something that the management team and I are particularly proud of.

I am convinced of Romania's full economic potential. Romania is growing in the region, entrepreneurship is flourishing, there is room for investors. As we partner with Romanian businesses, we can experience first-hand their effervescence and creativity. However, I see three important conditions to continue to support the country's growth, and to continue to give confidence to private investors. First, predictability and a certain legislative and fiscal stability in the medium term; secondly, continued

investment in the country's major infrastructures; and thirdly, a subject that is little mentioned today, but which is nonetheless vital, that of demography and its dynamics. These are, of course, European issues as well, but I believe that Romania's further growth will partially depend on them.

Looking at my team at Carrefour Romania, looking at our suppliers, our business partners and the market potential, I have enough reason to stay optimistic and believe in a future solid evolution for this country.

3. Business response to economic, geopolitical and climate change challenges

The balance that CEOs want to achieve, between the need to optimise current operations and creating a strategy to reinvent the business for the future, cannot be achieved if the organisation loses the struggle for talent or delays strategic transactions.

Diversification of product and service offerings is an important initiative that executives are considering in response to the potential effects of both economic and geopolitical threats.

Climate change is not yet high on the agenda of organisational leaders, but they anticipate that in the short term, climate-related risk factors will particularly affect their cost profiles and supply chains.

Actions to mitigate economic volatility

The recent experience with massive employee attrition (the so-called great resignation phenomenon that has sent shockwaves through several markets) and the continuing need to attract and retain talent nuances the CEOs' responses to the changing economic environment. The measures considered by CEOs to increase organisational resilience mainly relate to boosting revenue growth, reducing operating costs, diversifying offerings, seeking alternative suppliers and reassessing ongoing projects or initiatives. At the other end of the spectrum, most executives say they have no plans to reduce headcount and salary packages, stop hiring, and postpone strategic initiatives related to mergers and acquisitions.

In line with global counterparts, about half of business leaders in Eastern Europe and Romania say they have already started to reduce operating costs, raise prices (in an attempt to pass on rising raw material costs to customers) and diversify product ranges, and about a third of respondents are considering such initiatives over the next 12 months.

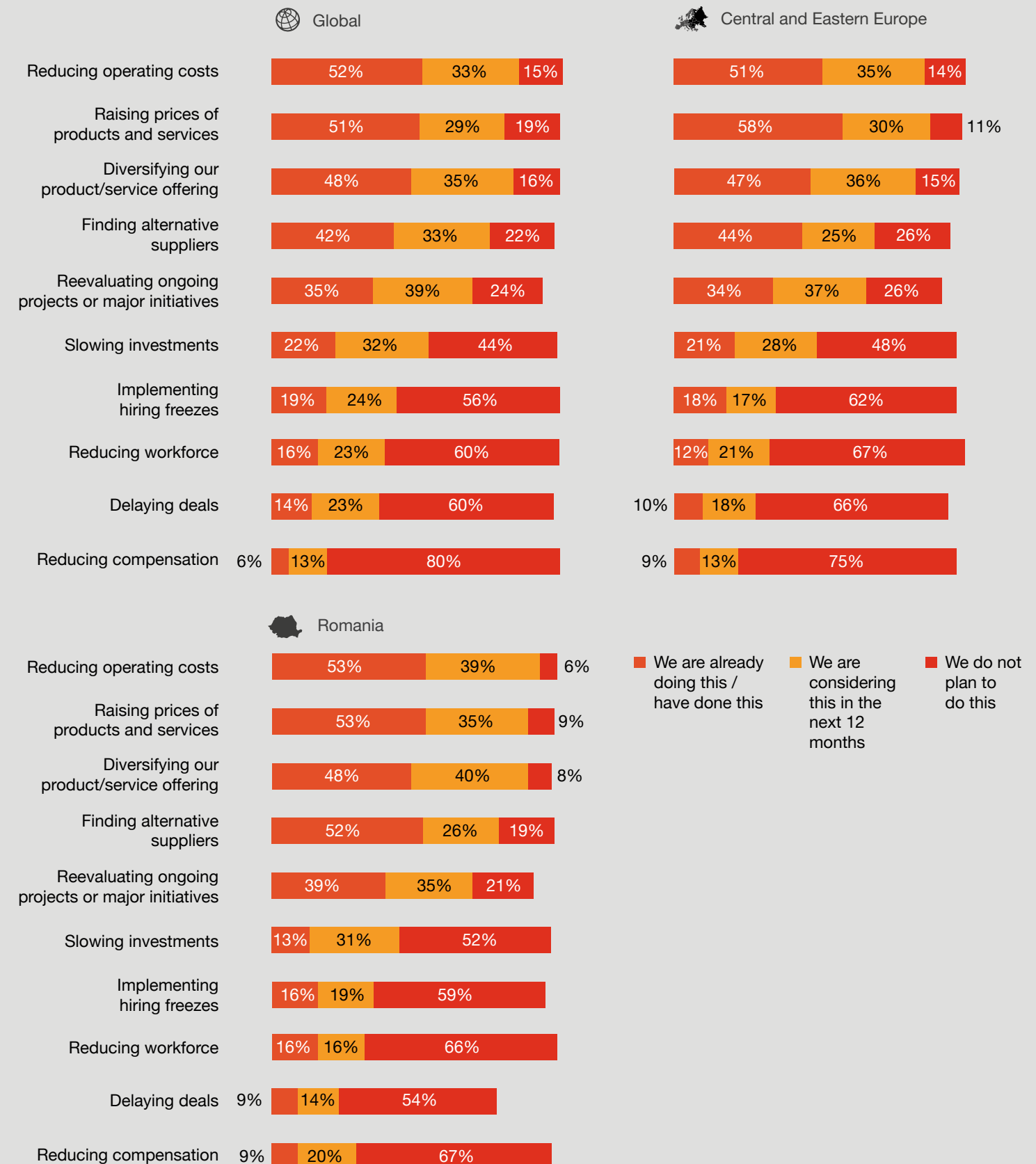
On the other hand, four out of five CEOs globally (and 75% in Central and Eastern Europe) say they have no plans to cut employee benefits. The percentage is lower in Romania (67%). In contrast, 29% of business leaders in our country are already implementing or considering reducing workforce compensation (fixed pay, variable pay and benefits).

Also, about two-thirds of CEOs, both globally and regionally, as well as among their counterparts in Romania, say they are not considering layoffs, while the other one-third of those surveyed admit to having started a layoff program or are in the process of doing so (the percentage globally is even higher at 39%). By a similar measure, about three in five CEOs say they are not considering a hiring freeze.

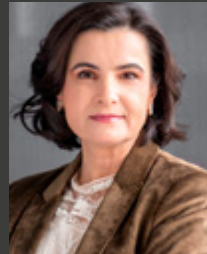
Things seem less clear-cut when it comes to delaying investment. Globally, 54% of organisational leaders admit that they have decreased the amount of investment or are considering it, while 44% of those surveyed say they are not considering slowing down the investment program. The polarisation of responses is even more pronounced in Central and Eastern Europe and Romania. In the region, 49% of respondents are reducing investment or considering it, while 48% are not planning to do so. By contrast, in our country the share of company directors who say they are maintaining their investment pace (52%) is higher than those who say they have started to reduce investment or plan to do so (44%).

In response to short-term economic challenges, executives say they are taking steps to cut costs and raise prices, but are trying to avoid layoffs and pay cuts

Which of the following options best describes any action your company may be considering to mitigate against potential economic challenges and volatility in the next 12 months?



Inside the mind of the CEO



Mihaela Bîtu

CEO ING Bank Romania

Although we hoped that 2022 would be a calmer year after the pandemic period, reality surprised us with new shocks: the war in Ukraine, the energy crisis and inflation at levels not seen for many years. However, the Romanian economy and society have once again demonstrated their resilience and capacity to adapt. Last year's economic growth of 4.8% exceeded analysts' expectations, and the banking sector is well capitalised and ready to face challenges successfully. Of course, we still need to be cautious, given the geopolitical and economic uncertainties, but I believe and hope that 2023 will be a year of near normality. Although we do not expect rapid development, inflation is on a downward trend and the outlook for global and local economic growth looks positive.

At ING Romania, we have a prudent approach, capital reserves and a robust provisioning policy, which allow us to look confidently into the future and be close to our customers, both in good times and in more difficult times. Equally, we continue to invest significant amounts in digitisation and continuous improvement of our services and products, and our team remains dedicated to a strategic direction focused on innovation and customer experience. In 2022, for example, we launched our first digital and instant financial approval process for mortgage loans, and towards the end of the year, we introduced two highly competitive products aimed at young people, Free@ING for adults starting out, and ING Young, aimed at children and families. This year we are also preparing a number of new products for both individuals and companies.

We are also making important progress in the area of sustainability, which is a priority for ING Group. We strongly believe in the importance of a sustainable approach for us and future generations, and we are determined to facilitate the transition to a green economy and reduce

our own carbon footprint to net zero. We have ambitious targets in this area as well and believe that protecting our planet remains an essential objective, even if it may be seen by some as secondary in light of current events.

In conclusion, we hope for a better future, but we are prepared to adapt to new scenarios and events which of course cannot be excluded, given the many uncertainties facing humanity.

From a macroeconomic point of view, the growth of the Romanian economy after accession has been absolutely remarkable, and we have reasons to believe that the convergence trajectory towards the more developed economies of Western Europe will continue. We can think, for example, of the evolution of the GDP per capita, of purchasing power parity advancing faster in Romania than in all other Eastern European countries, of the fact that Romania continues to have one of the highest potential growth rates in the EU, of the deep integration into the European production and distribution chains, etc. Also, although it is not imminent, the establishment of the euro adoption target has the potential to further increase Romania's strengths and to attract new investments.

But sources of optimism also come from our customers. I cannot help but notice the warmth with which we reacted as a people when the war started and the resilience we have shown in recent years, both during the pandemic and now, when macroeconomic tensions have intensified.

As an optimist, I believe that an adaptable and socially active population in a positive economic context will prosper. And I believe, therefore, that the prospects for Romania, and implicitly for ING Romania, are eminently positive.

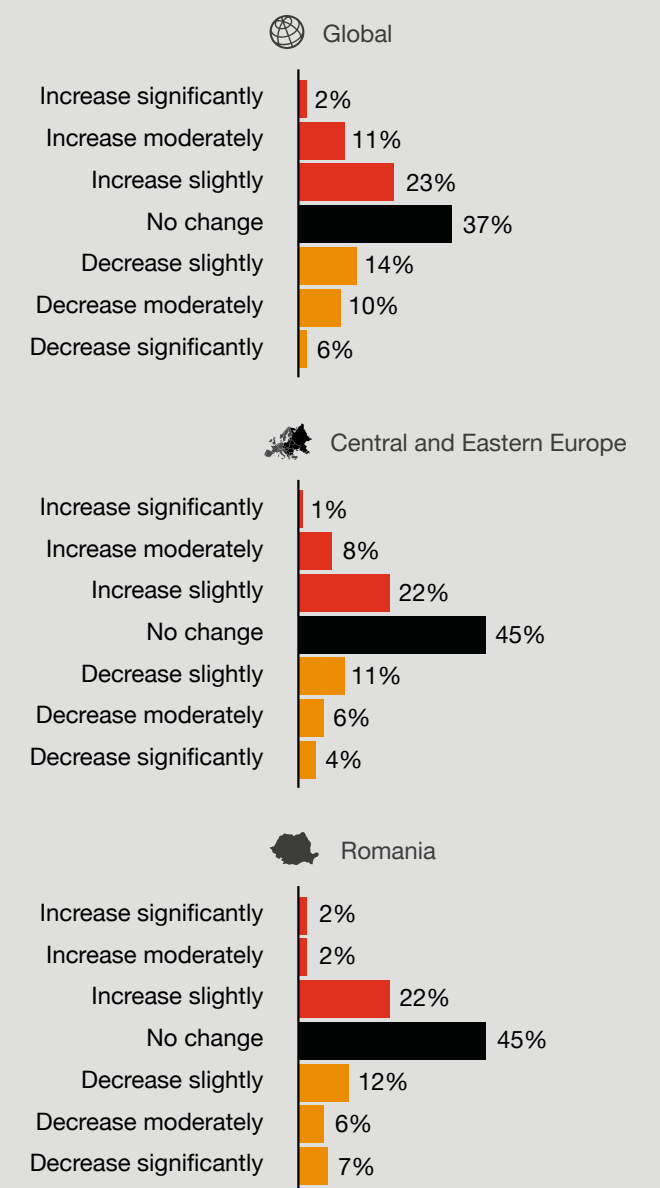
Resignations and retirement

Most CEOs expect current resignation and retirement rates to remain largely unchanged. On the other hand, the share of organisation leaders who think the rate of resignations and retirements will increase is higher than the share of company directors who expect it to decrease.

Overall, 36% of respondents expect the rate of employees leaving their organisations to increase, while 26% expect it to decrease. There is also a ten percentage-point difference for CEOs in Central and Eastern Europe (31% versus 21%), while the gap is significantly smaller for Romania, with a one percentage-point difference in favour of those expecting an increase (26% versus 25%).

To a large extent, CEOs tend to believe that dropout rates will remain unchanged

How do you believe employee resignation / retirement rates in your company will change in the next 12 months?



Reducing exposure to geopolitical conflicts

Rising geopolitical risks are now high on the agenda of CEOs. The war in Ukraine and growing concerns about potential outbreaks in other parts of the world highlight the importance of integrating a wider range of disruptive factors into companies' scenario planning and business model adjustments. In response to these challenges, business leaders say they are considering a set of countermeasures.

Globally, nearly half (48%) of CEOs who responded that their organisations are exposed to geopolitical conflict say they plan to increase investments in cyber security and data protection in the next 12 months. The digital transformation of the global economy has brought cyber security issues to the forefront. The pandemic has forced many companies to move to remote working and online sales, thus spurring rapid adoption of new tools and technologies. As a result, the digitalisation of organisations has turned from a generic, long-term goal into a must-have initiative. Now, 46% of respondents globally are considering adjusting their supply chains, and a similar proportion are optimising the geographical footprint of their operations. Diversification of product and service offerings is a focus for 41% of business leaders.

In Central and Eastern Europe, the main initiative being considered is optimising supply chains, as mentioned by 43% of CEOs. In contrast, only about a third (34%) of business leaders in the region are looking at increasing investment in cyber security and data privacy.

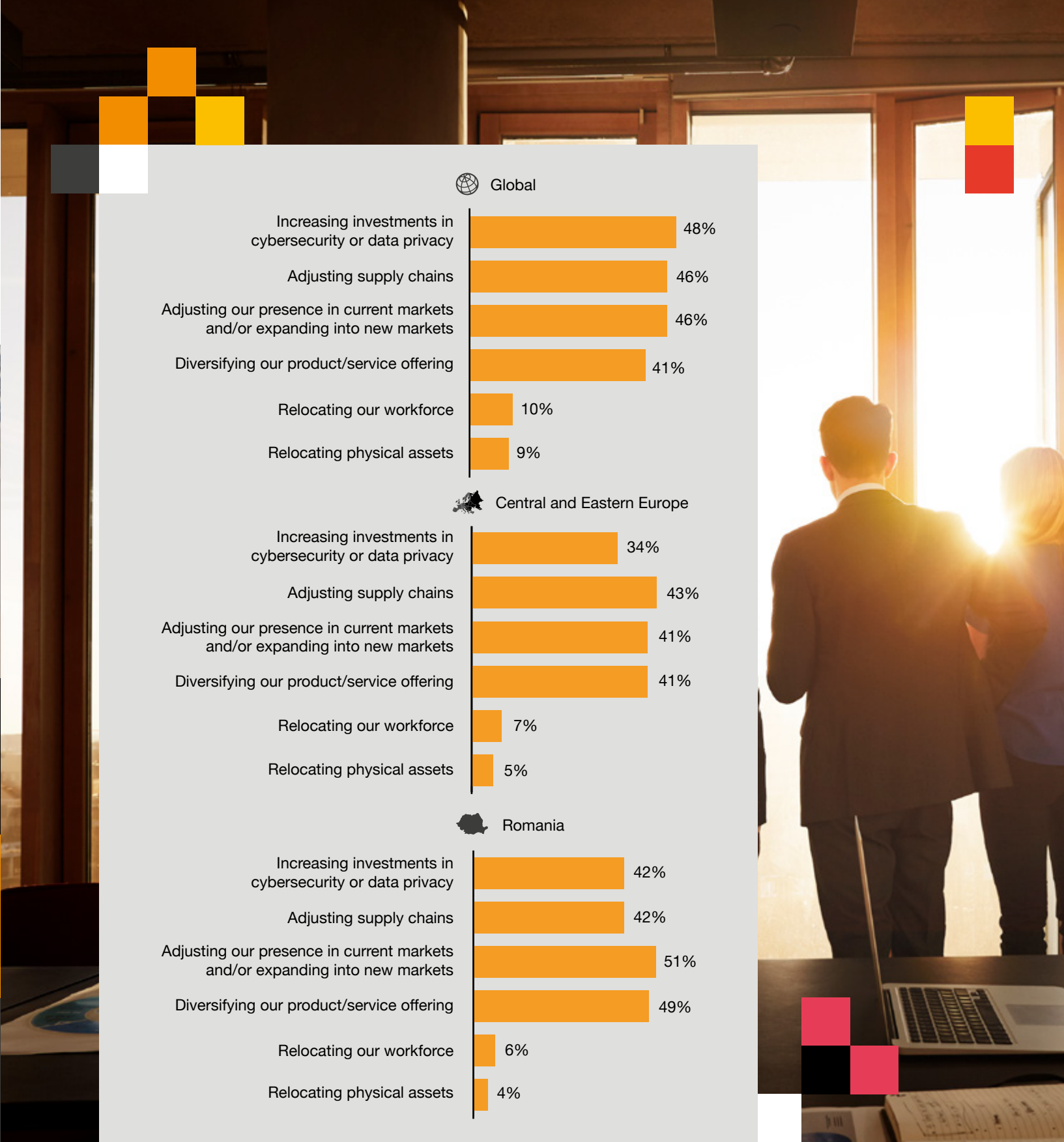
For Romanian CEOs whose organisations are exposed to geopolitical risk, the main steps planned for this year are adapting their presence in different markets and diversifying their product and service offerings. Thus, more than half (51%) of the respondents in our country indicate adjusting the physical presence in current and/or future markets. That is higher than the global (46%) and regional (41%) averages. The second initiative considered, according to the percentage of Romanian CEOs mentioning it (49%), is broadening the offer to customers. That is also higher than the global and regional averages (41%).



Nearly half of Romanian CEOs who believe their organisation is exposed to geopolitical conflicts are planning to review their markets and diversify their product and service offerings

Which of the following actions is your company considering to mitigate against exposure to geopolitical conflict in the next 12 months?

Base: All respondents who answered "Extremely / highly exposed", "Moderately exposed" or "Slightly exposed" to geopolitical conflict at the question "How exposed do you believe your company will be to the following key threats in the next 12 months?"





Daniel Anghel

Tax, Legal and People Services Leader
PwC Romania

“The war in Ukraine has drawn the attention of the whole world to Central and Eastern Europe, and thus to Romania, and has added further geopolitical turmoil to the many pressures and risks already existing on the business environment, in particular a potential economic downturn. However, once the conflict has completely ceased, and we hope that this will happen as soon as possible, our region will have a historic opportunity to attract massive investment and thus develop its production and export capacity to become an important centre of ‘nearshoring’. But for this to happen, at least three conditions need to be met: continuous upgrading of the workforce, technological transformation and the development of transport infrastructure.”

A year of war in Ukraine – economic implications

More than 12 months after the outbreak of the military conflict, we can see that the adjustment measures European countries have managed to take to alleviate the economic problems have exceeded expectations. The recession predicted for the Eurozone was fortunately recently overturned by Eurostat despite the energy crisis which has hit our continent harder than at global level, with the risk of producing massive changes in the European economic structure through a loss of competitiveness and attractiveness as a production location.

Energy crisis, inflation

Rising energy prices affect EU Member States to different degrees due to their individual energy policies: while production costs in France or Spain, for example, are rising relatively moderately, in other countries such as Poland the pressure is high. The reasons lie in the degree of each country’s dependence on Russian oil and gas. In the long term, such differences could lead to structural changes in the European industrial landscape. One beneficial consequence is the acceleration of the energy transition, even if in the short term some governments have relied more on fossil fuel-based energy than before the outbreak of war. Although initial estimates of the impact of the energy crisis were very pessimistic, developments over the past year show that the effects will be nowhere near as severe as the rumoured deindustrialisation of Europe.

Central and Eastern Europe in the spotlight. Investors are pulling back.

Business leaders across the region are dealing directly with the consequences of the conflict, which is generating uncertainty and unrest around the world. At the same time, they have a huge role to play alongside policymakers. It is encouraging to see the moderate optimism of business leaders and their determination to transform their businesses in response to the crisis, whether we are talking about energy transition, production relocations or supply chain reorganisations.

Given its proximity to Ukraine, the Central and Eastern Europe region was initially, at the outbreak of the war, viewed with fear by investors because of its high exposure to the risk of geopolitical instability. A good example of these concerns was, at the outbreak of the war, the foreign exchange market. These concerns dissipated fairly quickly, not because the importance of the war diminished, but because investors realised that geopolitical risks are global, not local, and not significantly different from other major challenges facing global society. Thus, while foreign direct investment inflows to the region declined in the second quarter of 2022, both because of the war and as part of a global phenomenon linked to various factors such as higher interest rates and the energy crisis, they subsequently recovered. In Romania, non-resident direct investment rose 33% in 2022 to €10.69 billion, compared to €8 billion the previous year, according to the National Bank of Romania.

New trade routes, changes in supply chains, relocation of production

Another consequence of the war is the emergence of new trade routes and supply chain changes. Many companies in Europe are looking to diversify these routes because of the increased risk of supply chain disruption. Countries like Romania can benefit from this trend, as our region has been an important nearshoring and offshoring destination for Western European manufacturers. According to a PwC analysis, the most favoured relocation destinations following supply chain changes are, in order, Poland, Germany and Turkey. Romania ranks seventh in this list globally, and that is encouraging for our country. Thus, our country can benefit from the global nearshoring phenomenon.

In conclusion, the pressures on the economic environment will continue, the implications of the war will be felt for many years, if not decades, and businesses need to adapt and make changes to survive and grow in this uncertain and risky context by looking carefully at potential opportunities.

Climate change impacts

The urgency of climate change action may not always be seen by organisational leaders as a race against time. However, managing climate risks is a growing priority for companies around the world. CEOs anticipate that over the next 12 months, climate change will affect their cost profiles and supply chains, as well as the safety of their physical assets.

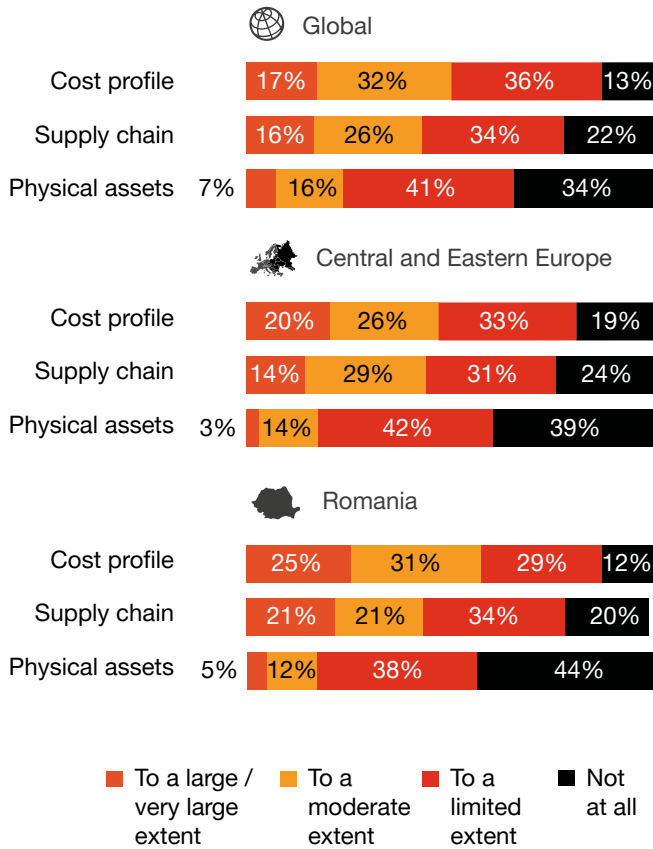
Thus, the majority of CEOs expect some degree of impact from climate change this year, mainly in their cost profiles (e.g. costs of complying with new regulations, asset impairment and insurance liabilities). About half of the respondents expect a moderate, high or very high impact. Romanian CEOs feel more exposed than their global and regional counterparts, with 56% of respondents in Romania anticipating a significant impact on their cost profiles (compared to 49% globally and 46% in Central and Eastern Europe).

Around two in five business leaders believe that supply chains (e.g. production capacity or ability to buy raw materials) could be affected to a moderate, large or very large extent.

In contrast, CEOs are less concerned about damage to physical assets (e.g. risks to factories and office buildings) from extreme weather or other climate events.

More than half of Romanian CEOs believe that climate change will affect their organisation's costs to a moderate, great or very great extent

To what extent do you expect the following areas of your business to be impacted by climate risk in the next 12 months?



Climate change risk initiatives

Tackling the effects of climate change requires the development of a coordinated and long-term strategy. But the problems will not be solved if the only companies doing the work are those facing immediate financial impacts. Identifying the best courses of action and pace of implementation to mitigate climate risks, generate opportunities and decarbonise is a huge challenge. Measuring results and communicating progress publicly to stakeholders is also very important.

The most common actions that more and more companies are already implementing or plan to implement are related to decarbonisation or carbon footprint reduction and innovation in green products and services. More than a quarter (27%) of global business leaders say they have already completed company-wide implementation of emission reduction initiatives. That is higher than in Central and Eastern Europe (19%) and Romania (18%).

Mitigating physical risks and creating an internal mechanism to set a reference price for company carbon emissions are initiatives that are less considered by CEOs at this stage to address climate challenges. Thus, in the absence of clear incentives for possible tax cuts, more than half of business leaders say they do not intend to set an internal carbon price to account for in their decision-making.



Emission reduction initiatives, green products or process innovation and data-driven strategy development to reduce emissions and mitigate climate risks are the most commonly cited actions completed, under implementation or planned by organisations

Which statement best characterises your company’s level of progress on the actions companies may undertake to prepare for the risk of climate change?

Inside the mind of the CEO



Ömer Tetik
CEO Banca Transilvania

with the market with agility. We have built the largest bank in Southeast Europe. All these are the result of an organizational culture based on growth and development. This is our foundation and the reason why we believe in Romania and remain optimistic.

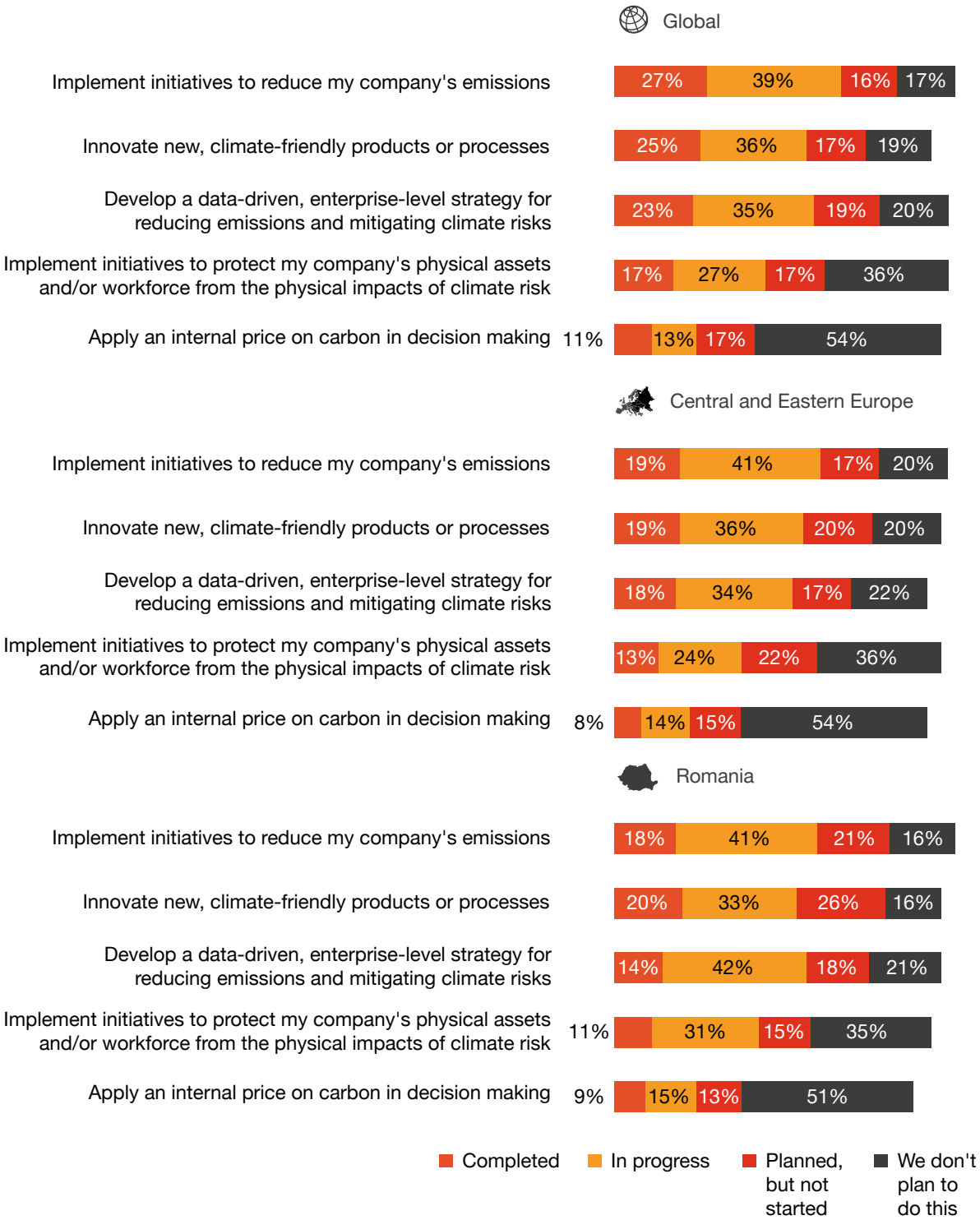
It is clear that we are going through a tough time for business – where one of the ingredients is the increased cost of finance. But we are in a much better strategic position than during previous crises. We are a strong and very well-capitalized bank with a diversified portfolio and increased favorability – we are the bank of choice when it comes to the first bank account or first financing. Of course, we are also helped and encouraged by our low non-performing loan ratio and above European average provision coverage. All these are signs that we are ready to finance the country, the economy and the people, even if unequivocally complicated and volatile times lie ahead.

The global context is highly volatile, with many disruptive factors (re)shaping the local and international economic environment. We are facing multiple crises, which amplify each other: first the pandemic, then the conflict in Ukraine, the energy crisis, inflation, problems in supply chains, the climate crisis and the need for energy transformation, which comes with a huge cost and with a sense of urgency.

Over the years, each crisis has brought a reframing of the way society is organized, but they have also prepared fertile ground for opportunities. We have maintain an extremely pragmatic approach in order to be closer to our customers and colleagues. To use a metaphor – we are at the front line of the battle, closer to our customers and colleagues, and we take actions much faster to support them with solutions that solve the problems that inevitably arise in any crisis.

Our line of business is financial intermediation, and our challenges are in fact the total of the challenges of our clients, the challenges of the Romanian economy, so we focus on how we can help our clients and how we can contribute to sustainable economic growth in Romania, as our main strategy. We are ready to respond quickly and with relevant solutions. We are fully mobilized and try to shorten our response times and to simplify the decision chains as much as possible.

Banca Transilvania has Romanian DNA, and this is one of our main strengths. We have grown with our clients and the economy, we have taken part in all the transformations that the economic environment has undergone over the last three decades, and we have managed to keep pace



4. The need to transform organisations for the future

Many CEOs have doubts about the economic viability of their organisations in ten years' time under current conditions. They recognise the disruptive potential of current threats to the business environment and foresee multiple possible challenges to the profitability of the industries in which they operate.

For several years now, business leaders have been fully aware of the need for companies to change and are also thinking about the strategies they need to do so. This is an optimistic signal that CEOs are looking for ways to harness the current crises for the long-term benefit of the companies they lead.

Long-term viability of organisations

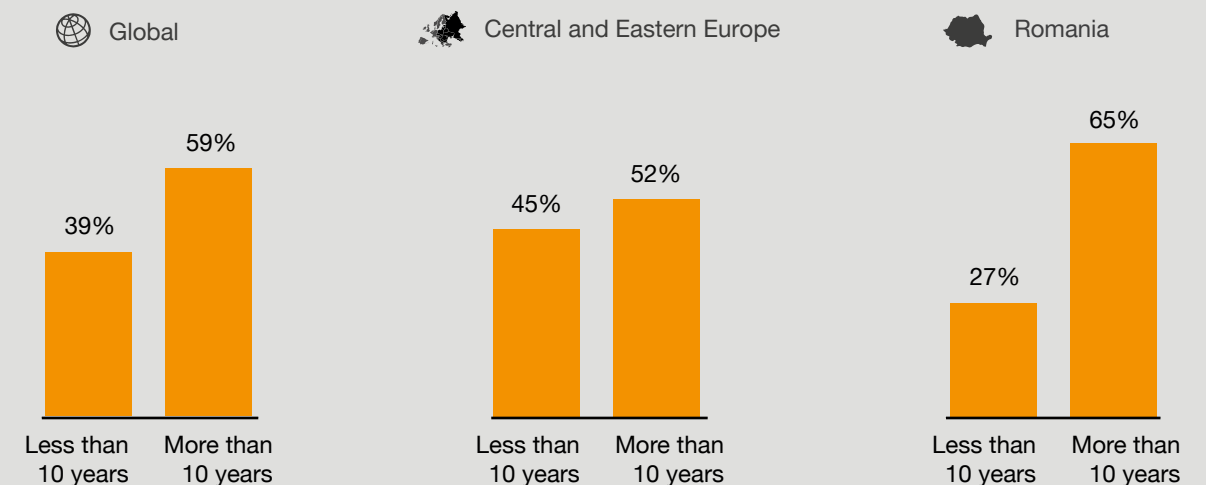
Globally, almost 40% of CEOs believe that their organisations will not be economically viable in a decade if they continue on their current path. This view clearly underlines that it is extremely important for companies to reinvent themselves for the future.

In Central and Eastern Europe, where the war in Ukraine comes against the backdrop of an already extremely challenging business environment, the percentage of company directors who do not believe their organisations will be thriving in ten 'years' time is even higher (45%), with business leaders in the region recognising the urgent need for transformation.

Romanian CEOs are significantly more optimistic than their global and regional counterparts about the long-term viability of their business models, with 65% of respondents in our country believing that their organisation will survive and be successful a decade from now.

Although more optimistic than their global and regional counterparts, more than a quarter of Romanian CEOs are still not convinced about the economic viability of their business in a decade's time

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



Disruptive factors impacting the profitability of industries

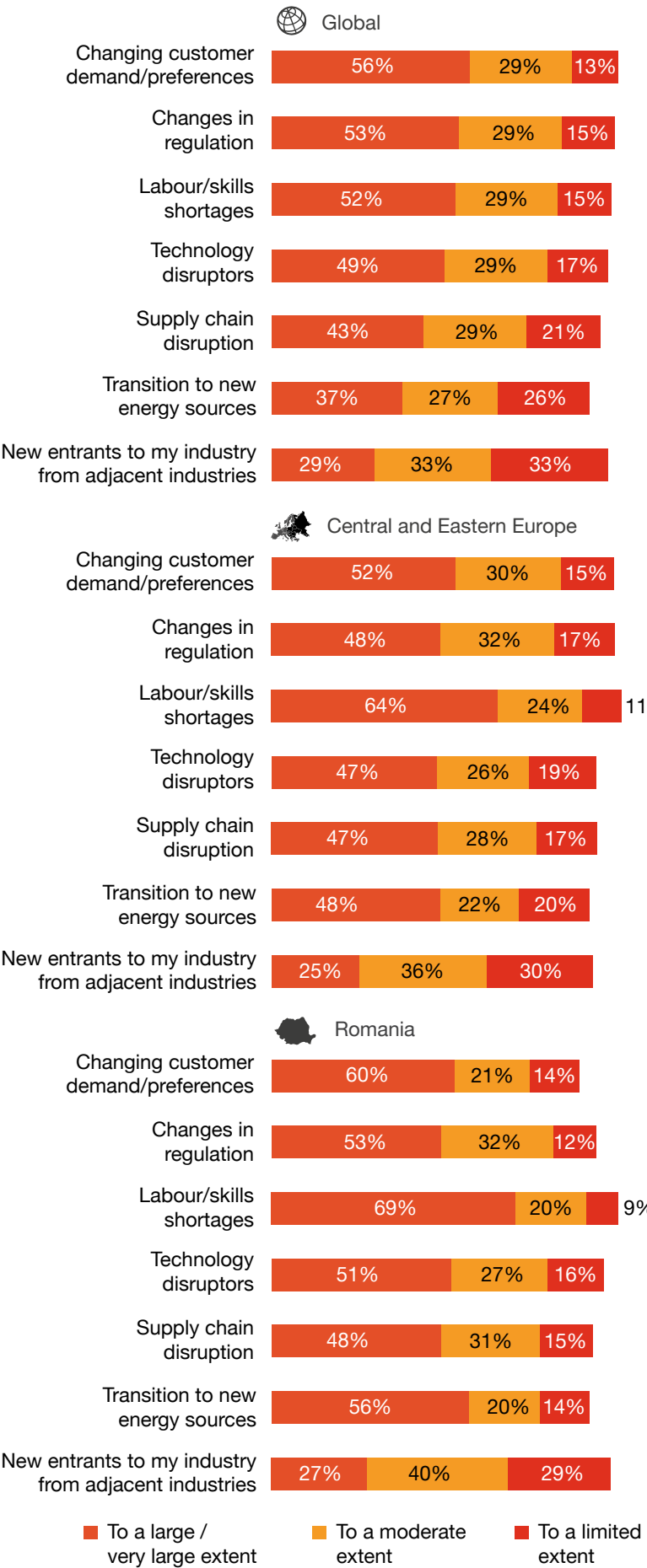
Human society is living in extraordinary times, marked by five global megatrends reshaping the business environment: climate change, technological disruption, demographic shifts, social instability and, not least, an increasingly fragmented world. While none of these forces are new, their scale and interdependence are growing, with significant differences between sectors and geographies.

Asked about the forces most likely to influence their industry’s profitability over the next ten years, more than half of global CEOs cite changing customer preferences, changing regulations and skills shortages. Technology follows close behind, cited by 49% of those surveyed.

In Central and Eastern Europe, almost two-thirds (64%) of CEOs believe that labour shortages will affect their profitability to a great or very great extent. The other two issues that complete the podium of disruptive factors with a massive impact on industries are the same as their global counterparts – changes in consumer demand and changes in legislation. In addition, 48% of CEOs in the region say the transition to new energy sources will have a major impact in the next decade. That is higher than the global figure (37%).

Our country’s CEOs seem even more concerned than their global and regional counterparts about the most important forces that will affect industries to a great or very great extent. Leaders of Romanian organisations point to the ongoing global struggle for talent as the main potential source of disruption to their industry’s long-term profitability. Thus, 69% of respondents in our country believe that the lack of talented employees will affect their profitability to a great or very great extent. That is higher than the global (52%) and regional averages. Three out of five Romanian CEOs point to changing customer preferences, and 56% see the transition to new energy as a

possible threat – those are also higher than global and regional figures. The list of disruptive factors also includes regulatory changes (cited by 53% of respondents as having a high or very high impact) and the advancement of technology (e.g. artificial intelligence, metaverse and blockchain), as cited by 51% of Romanian CEOs. Supply chain disruption is also seen as a major threat to industry profitability by 48% of the country’s business leaders.



5. Investments needed to reinvent business

CEOs try to balance the agenda between the present and the future. Thus, they are concerned about striking a balance in terms of the time and resources they are willing to invest, between coordinating current operations and reinventing the business for the future. It is also becoming increasingly important to transform the role of leadership, as company directors need to delegate operational duties and empower their own leadership team to prepare for change together.



Mihai Anița
Assurance Services Leader
PwC Romania

“As in every difficult time over the past 30 years, in 2023 our nation’s CEOs are trying to cope as best they can with the challenges they face – increasing socioeconomic instability, runaway inflation, supply chain disruptions, the struggle to retain talent and geopolitical threats. But every crisis brings with it opportunities. So, CEOs are looking for ways to harness the current context for the long-term benefit of companies. They are fully aware of the need to take decisive action today to change their organisations and are looking at the priority areas, the resources they need and the pathways to get where they want to go.”



Allocating time on the agenda – current versus ideal situation

The immediate challenges of today’s rather complicated context require CEOs to manage their organisations very carefully and give them less time than they would like for less pressing considerations. With their time being extremely limited, business leaders are constantly forced to divide their attention between the day-to-day issues of the organisation and their concern for the long-term development of the business.

When asked how they allocate their time between their various priorities, CEOs, both globally and in Central and Eastern Europe, say they are currently focusing mostly on driving current operational performance (including getting the board’s commitment on this), which takes up a quarter of their time. In parallel, they manage to spend 22% of their time on adapting the business for the future, including getting the board’s commitment on the company’s long-term strategy. Next on the agenda is interaction with employees (18% of time globally and 20% in the region) and discussions with customers (17%).

Romanian CEOs say they still spend most of their time (23%) developing the business and creating the strategy to meet future market demands. This is followed by conversations for employee development (22% of time) and increasing current operational performance (21%).

If they could redesign their schedule, CEOs would like to spend more time than they do now on business development strategy and on interacting with employees and customers, and less on coordinating current operations.

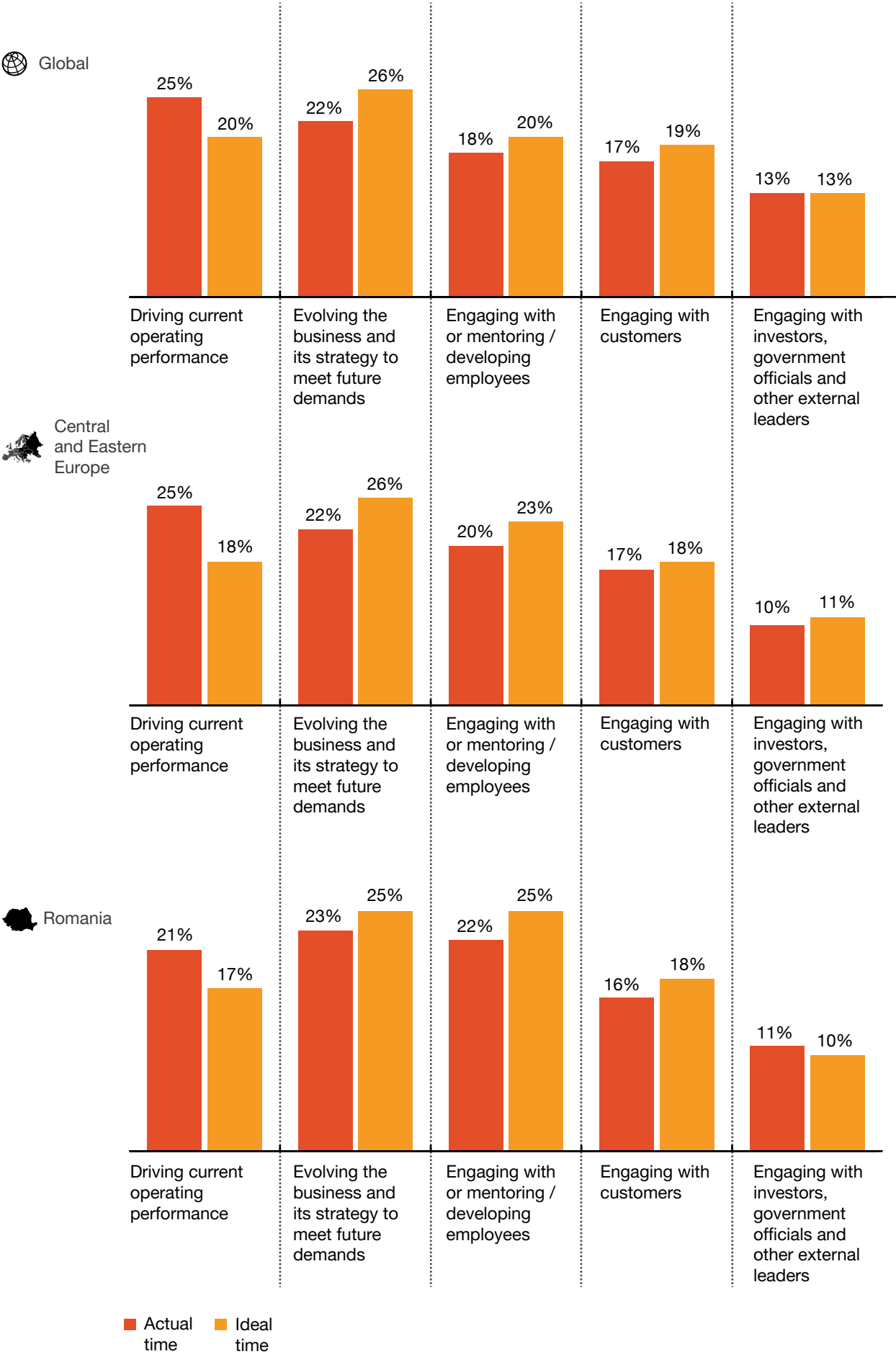
Thus, in an ideal situation, leaders of organisations globally and in Central and Eastern Europe would want 26% of their time to focus on long-term business development. For employee development, CEOs globally would invest 20% of their time (and 23% for their counterparts in the region). In contrast, they plan to decrease the share of time allocated to current operational challenges (from 25% to 20% globally and 18% in the region).

Romanian CEOs also plan to spend more of their time than they currently do on transforming the business for the future (25%) and, to a similar extent, on interacting with their own teams. In contrast, in the ideal situation, leaders of organisations in our country would only be willing to use 17% of their time to solve day-to-day problems.

Executives would ideally like to spend more time on business transformation and employee interaction and less on day-to-day operations

During your work time, on average, what percentage of time do you spend on each of the following?

Knowing what you know now, if you could start over with a blank calendar, how would you allocate your time as CEO?



Investment areas for the next 12 months

The balancing act that CEOs undertake between meeting the current needs of the organisation and transforming the business for the future therefore starts with their agenda, and it extends to most resource allocation decisions and the selection of areas with growth potential.

Technology-driven investments and workforce development are considered a priority by most CEOs, both globally and regionally, as well as in Romania.

Globally, about three-quarters of CEOs plan to invest in the next 12 months in automating systems and processes (mentioned by 76% of respondents), upskilling employees in priority areas (72%) and implementing advanced technologies such as artificial intelligence and cloud computing (69%). These are also the top three areas for investment in the opinion of leaders of organisations in Central and Eastern Europe and in our country.

Thus, in Romania, 73% of CEOs say they will focus on automating processes and systems, as well as improving the professional skills of their employees. Around three out of five (61%) of organisational leaders mention the implementation of advanced technologies.

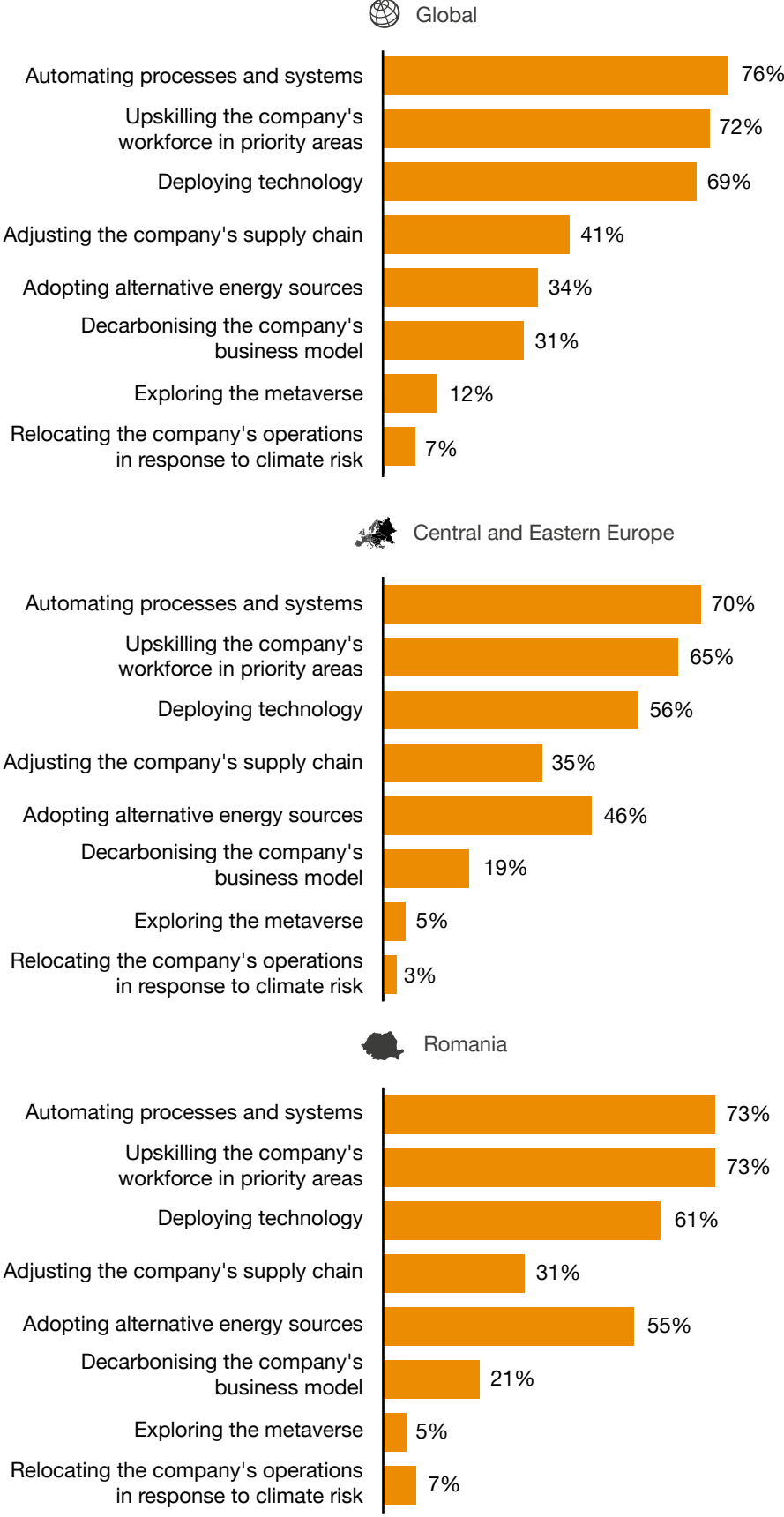
Russia’s invasion of Ukraine was a wake-up call for many Central and Eastern European countries heavily dependent on Russian gas. It is worth noting that the adoption of new alternative sources of energy ranks fourth on the list of investment priorities for both regional and national executives. More than half (55%) of Romanian CEOs mention this area of interest (compared to 46% of Central and Eastern European respondents and 34% globally). In the opinion of executives both in the region and our country, in terms of importance in investment plans, energy independence is ahead of supply chain adjustment (including nearshoring/onshoring operations), which is

the fourth highest investment priority for global counterparts, according to the percentage of organisation leaders who mentioned it. This is also evidence that CEOs are aiming to increase the ability of their companies to better respond to climate challenges.



Investing in technology and employee development are top priorities

Which of the following investments is your company making in the next 12 months?





Companies' responses to today's challenges must be immediate and effective. This is why CEOs are largely concerned with strengthening the current business. However, they are increasingly thinking about the future of their organisations, as some steps to ensure long-term success need to be taken now.

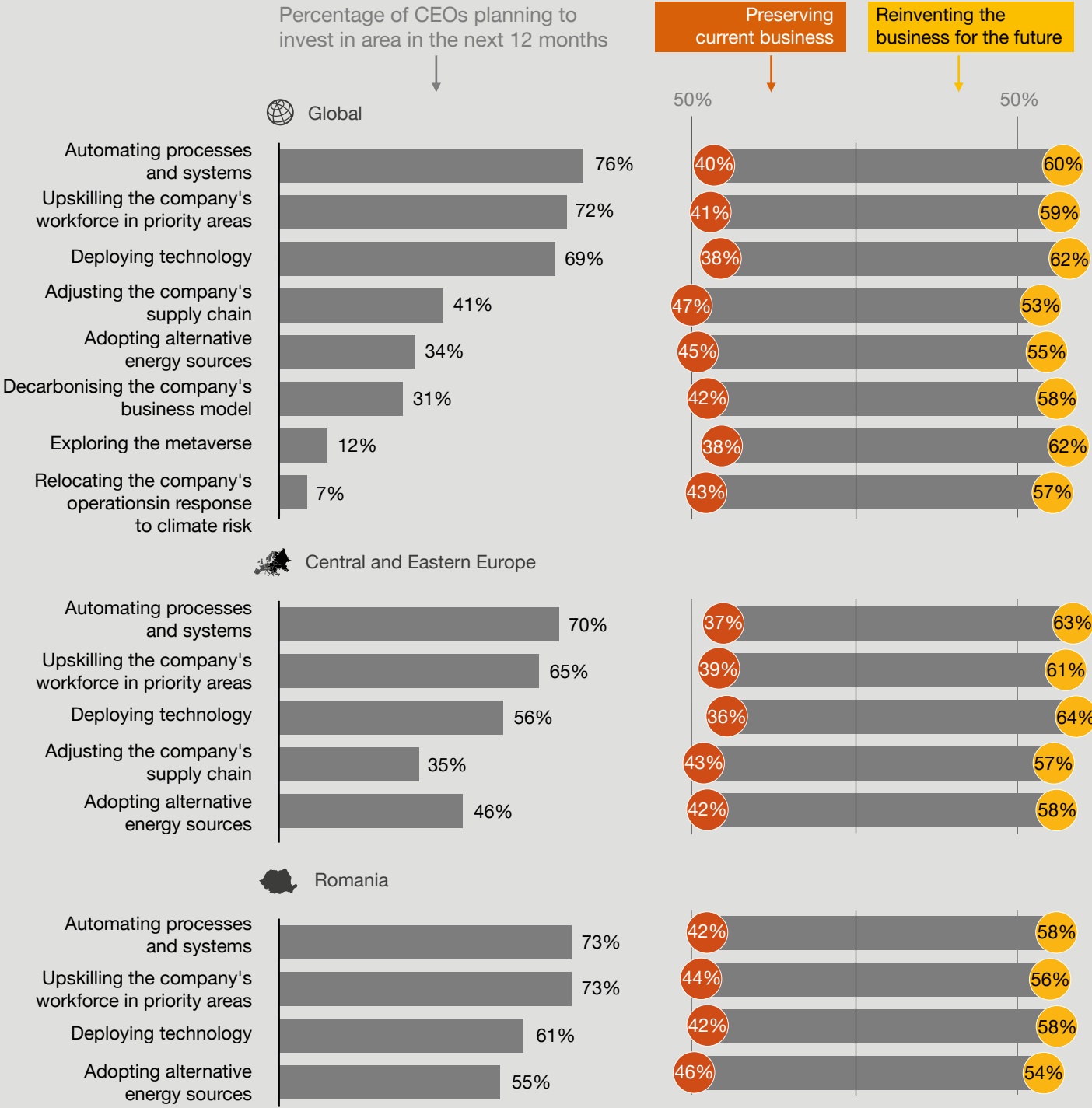
So, looking at the rationale behind these investments, CEOs generally find that 60% of the investments their companies make are aimed at reinventing the organisation for the future, and 40% are focused on strengthening the current business.

The ratio of around 60/40 is found across the whole spectrum of investments surveyed. This is further evidence of the balance that CEOs strive to achieve in their business.

Around 60% of planned investments are aimed at transforming the business for the future

For each of the investment areas selected, please indicate the percentage of investment allocated to preserving current business versus reinventing the business for the future.

Base: Those respondents who answered that they are making an investment in the following areas at the question "Which of the following investments is your company making in the next 12 months?"



The role of leaders in running the organisation

Reinventing the business for the future is already high on the agenda of CEOs and their own leadership teams. But this cannot be possible without a new mindset, as profound transformation of the whole organisation is only possible when employees at all levels of the organisation adapt to change and continuously improve. The role of CEOs is to establish a vision that empowers people to make decisions in their area of expertise and become formal champions of change. Trust between managers and their teams generates long-term value and underpins the transformation of companies for decades to come.

To start on the brighter side, it is worth noting that about four out of five CEOs say that employee behaviours are generally aligned with the company’s vision and values.

It is also encouraging that nearly three out of five CEOs in Central and Eastern Europe and Romania believe that the results of the projects they review tend to meet or exceed their initial forecasts for financial performance. The percentage globally is lower, at 45%.

But to reinvent their business for the future while navigating short-term operational challenges, CEOs need the help of senior executive teams, team managers and other employees alike. To free up time to focus on the future, CEOs need to empower their own leaders to handle today’s business effectively and autonomously.

Organisations where the whole team is involved and can make decisions in their own sphere of activity are the ones that move with agility, innovate more easily and collaborate more effectively to get things done. Several warning signs emerge from the responses of CEOs who want such an organisation, but those warnings could be turned into opportunities.

Thus, many company directors are doubtful that the conditions for ‘intrapreneurship’ exist in their

organisations. It seems that not all the conditions are in place for managers and their teams to look for major new opportunities or to detect and respond independently to disruptive factors. It may also not be sufficiently well explained to employees that, in the innovation process, small-scale mistakes are allowed and dissent and differences of opinion are encouraged.

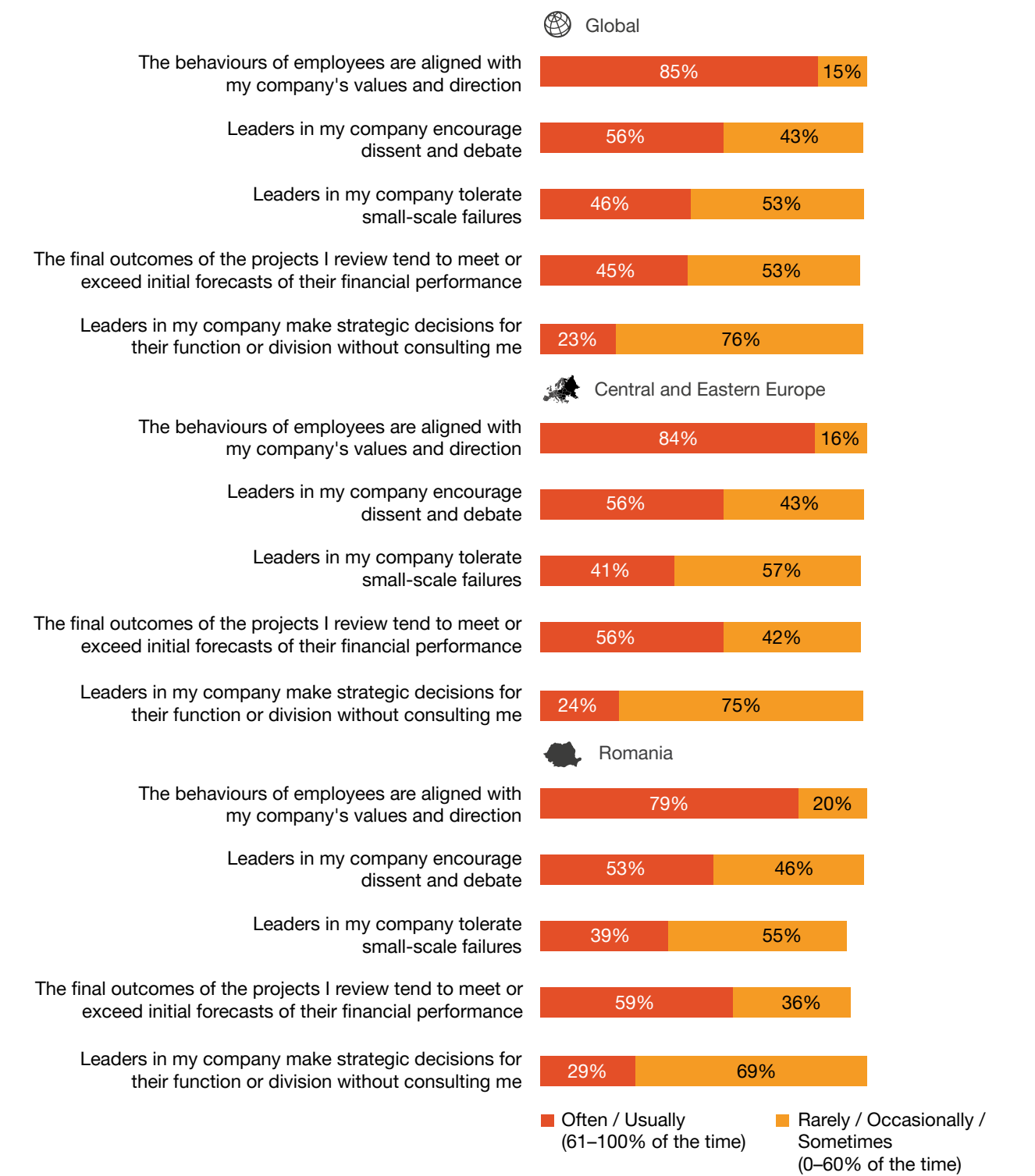
Around three-quarters of global and regional CEOs (and 69% in Romania) admit that leaders in their companies rarely make strategic decisions independently for their function or department.

More than 40% of CEOs say that leaders in their company only sometimes encourage debate and dissent in their own teams.



More than half of CEOs admit that team leaders in their own organisation only occasionally tolerate small mistakes or failures by subordinates

For each of the statements below please indicate how frequently these occur in your company.



Inside the mind of the CEO



Sergiu Manea
CEO BCR

BCR's priority remains to democratise access to financial and business education, with an integrated, cross-channel approach. From diagnosing the financial situation in BCR units, to personalised advice for the whole life cycle and across the business flow, to scaling the School of Money and BCR School of Business platforms and campaigns to inform and support financial education through messages delivered simply, in a way that everyone understands. In 2023, we remain a financial coach for Romania and continue to offer the long-term perspective of financial planning and prevention, as we have consistently done over the past ten years.

At the same time, we encourage investments that ensure the transition to the green and digital economy. Environmental integrity and economic viability are the pillars of sustainable development in Romania, and BCR enjoys the recognition of being a leading partner for green financing, with a diversified portfolio of products, from corporate to retail, social banking and leasing.

Decarbonisation of the economy, like digitalisation, is about multilevel cooperation. And this transition means a sustained effort from all the actors involved, with active communication on the impact of new technologies – value chain relevance, business scaling, lower operational costs, strategic development, improved workflow and quality of life.

Our example in this regard is the BCR digital journey. The investments to develop a business architecture focused on digitisation started more than seven years ago, and they showed their return in 2020, when we

were able to ensure a normal flow of business. That strengthened our customers' trust. In all our discussions with entrepreneurs, we use our experience to show that, regardless of the sector, implementing new technologies when they become the norm is no longer a business investment but a way to survive. In fact, we are entering a new phase of accelerating innovation in banking and will continue to accelerate investment in digital infrastructure. Whether retail or corporate, we are talking about developing a portfolio of products and services tailored to the changing needs of people and society, which also means continuous simplification of processes through the use of new AI, big data and cloud technologies.

Challenges have always existed and will always exist, but what tests our skills is how, when and what solutions we offer. And today we are in the midst of a technological and economic revolution that Romania can capitalise on. We have a huge opportunity for modernisation, which will ensure our economic and social advancement in the coming years, and it is important to talk about investment. Investments that ensure business relevance and encourage sectors with competitive advantage in the new economic cycle. Investments in human capital which, in our view, will make the difference for Romania's future.

Industry chains change and jobs change, but it is investment and anticipation that ensures business continuity, capital generation and positive referrals. And the best training we can provide is to train our ability to spot opportunities and verify the relevance of the initiatives and products we develop. Today's society shows us that predictive systems and flawless plans are the most fragile, while the deviations and difficulties we encounter

along the way are the ones that help us to make permanent improvements, achieve breakthroughs and be agile.

It is economics that best shows us that everything is temporary and cyclical, even when we face difficult circumstances. But whatever happens, the difference is strategic vision and adaptability. This is why we need to look in the long term at what the shift to the green and digital economy means, but also at social and territorial cohesion, by supporting the entrepreneurial environment and real impact in the community.

Romania faces a key moment in 2023 in terms of the open funding sources. More than EUR 95 billion is available for the transformation of Romanian society – EUR 46.44 billion through national and regional programmes, EUR 45.79 billion through the Cohesion Policy 2021–2027 and EUR 4.27 billion through the Cohesion Fund 2021–2027. The resources are there, we just need to apply and implement strategic investments to help Romania to fulfil its higher potential.

On a personal level, motivation comes from people and the transformative power we have. I believe that it is our aspirations that shape society, and together we can build a fair future that prepares us for the longevity economy. A future where we will enjoy intergenerational solidarity, where younger generations will be well prepared, feel valued and built in Romania, and seniors will enjoy social security.

6. Working for society

The scale of today's global challenges is driving CEOs to build or help to develop new ecosystems. They extend the scope of cooperation with diverse organisations from creating added value for the business to generating value for society as a whole. Accessing and leveraging the capabilities of other types of organisations allow risks to be managed jointly and better results to be achieved than companies could attain by acting solely through their own strengths.

When asked how they create partnerships, with whom and for what purposes, CEOs say their organisations work with a wide network of collaborators and that these relationships are established to create new sources of value for the business (e.g. new product innovation or entering new markets) rather than to solve major societal problems (e.g. climate change, socioeconomic inequalities, diversity, equity and inclusion). Thus, for every category of collaborators except NGOs, the percentage of CEOs who say their organisations cooperate to a great or very great extent with them to create new sources of value is higher than the percentage of company leaders interested in addressing societal problems.

Creating added value

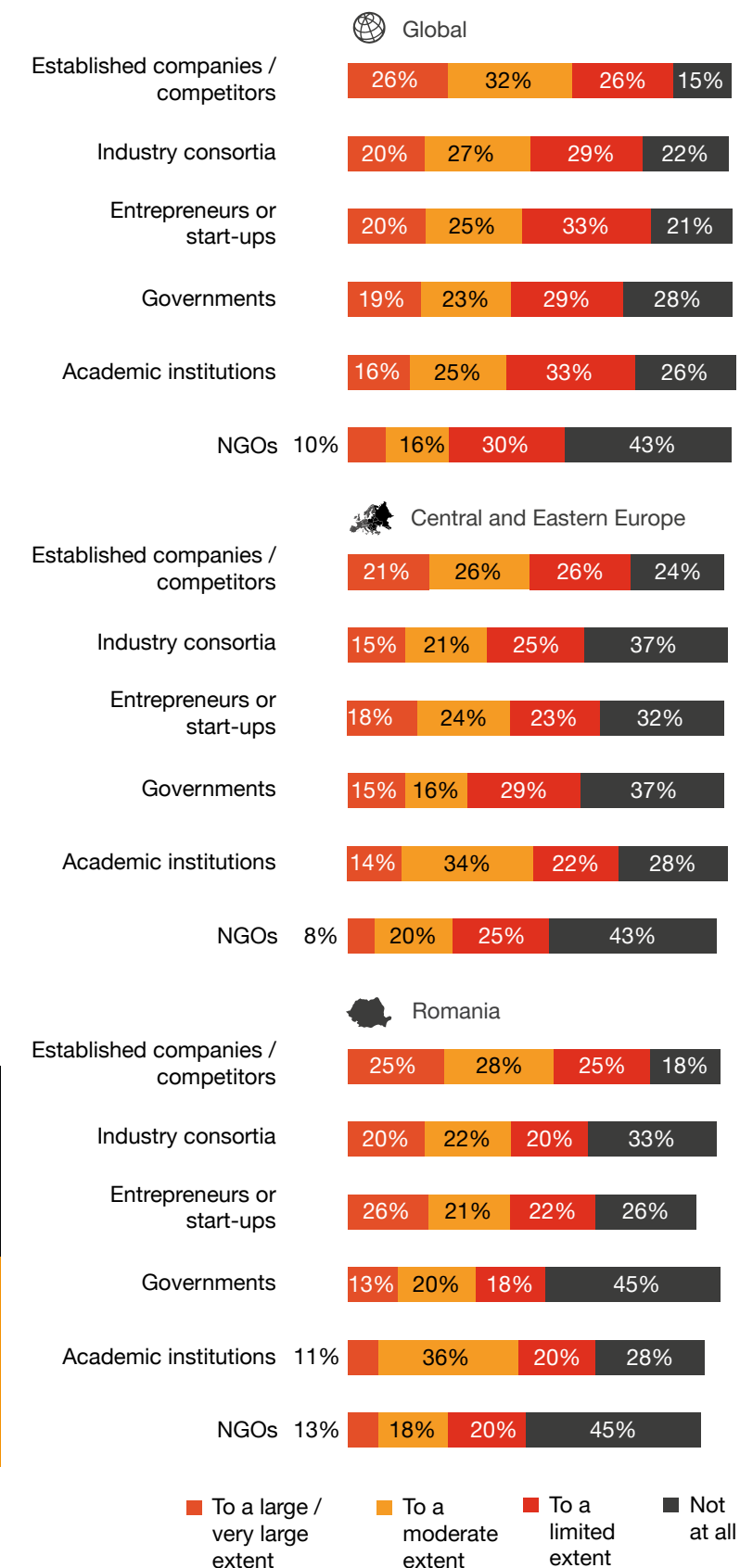
To create new sources of value, global CEOs work primarily with established companies, whether they are competitors or not. Industry consortia and entrepreneurs or start-ups are tied for the next highest percentage of respondents who say they currently collaborate to a great or very great extent with them.

Established businesses, entrepreneurs or start-ups, industrial consortia, and government institutions (at national or local level) are the groups of interest for CEOs in Central and Eastern Europe.

For their part, Romanian business leaders say that they mainly work with entrepreneurs or start-ups, established companies or competitors and industrial consortia to create new sources of value. Only to a lesser extent do they consider central or local government institutions.

Entrepreneurs and start-ups top CEOs' preferred partners for collaboration to create added value

To what extent is your company collaborating with the following groups to create new sources of value?



Addressing societal issues

The diversity and complexity of today’s societal challenges highlight the ability of CEOs to collaborate across the boundaries of the companies they lead. Addressing broader societal issues is increasingly a focus of cooperation with non-business entities such as NGOs and government agencies.

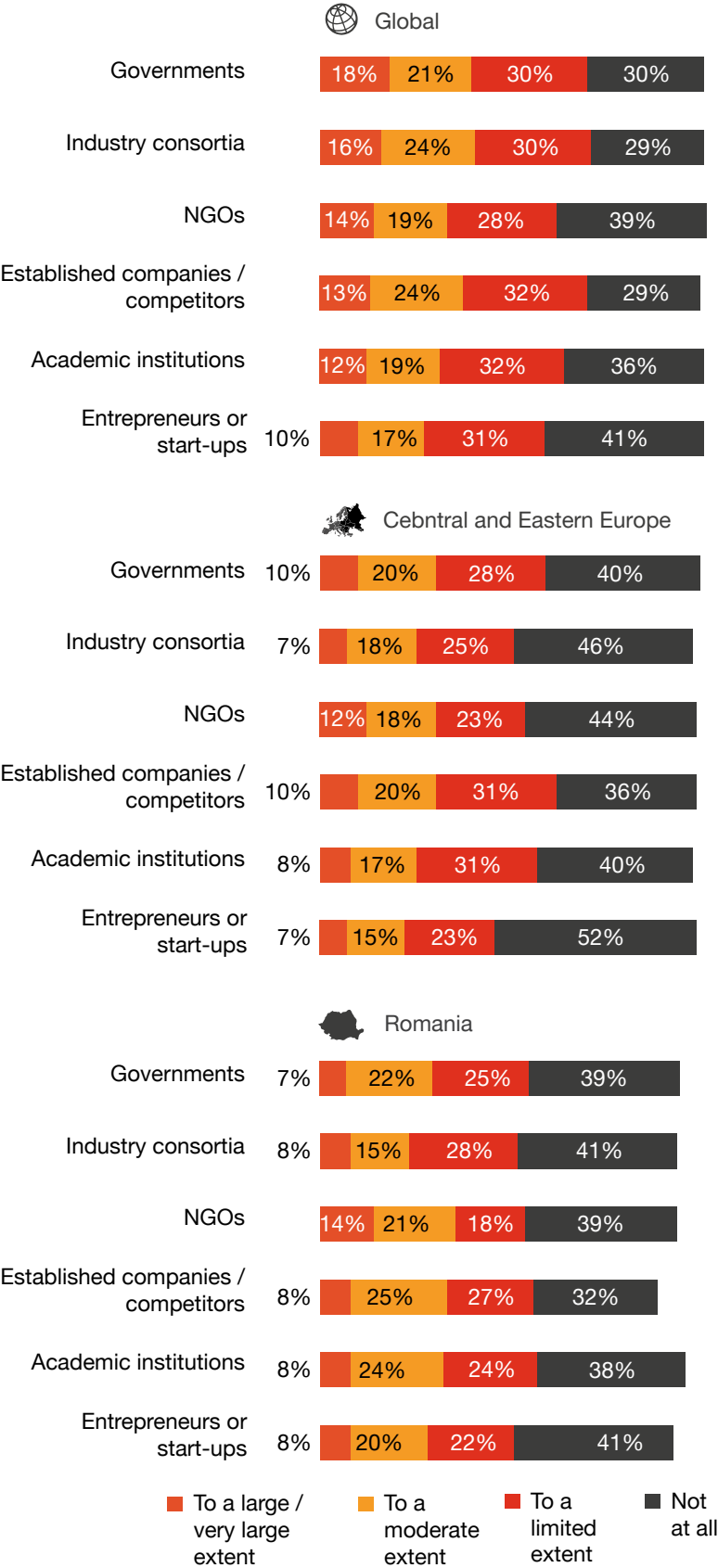
When it comes to the broader perspective of solving societal problems, global CEOs rely heavily on collaboration with government institutions, industry consortia and NGOs.

CEOs in Central and Eastern Europe cooperate to a large or very large extent with NGOs, established businesses and government institutions.

As far as Romanian business leaders are concerned, there is a clear preference for NGOs as a dialogue partner in addressing the problems of society as a whole

Non-governmental organisations are among the preferred collaborators of CEOs in solving societal problems

To what extent is your company collaborating with the following groups to address societal issues?



Globally, business leaders are partnering with non-business entities to address issues such as sustainable development, diversity, equity and inclusion, education and climate change.

Like their counterparts in Central and Eastern Europe, Romanian business leaders are most often willing to collaborate with non-business organisations on education issues. Thus, of the CEOs who responded that their organisation collaborates with government institutions, NGOs or academic institutions to address social issues, 66% of respondents in the region and 77% in our country say they focus on education (compared to 49% globally).

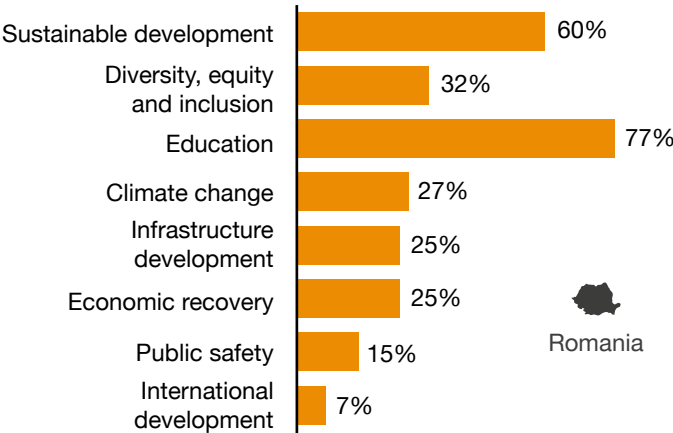
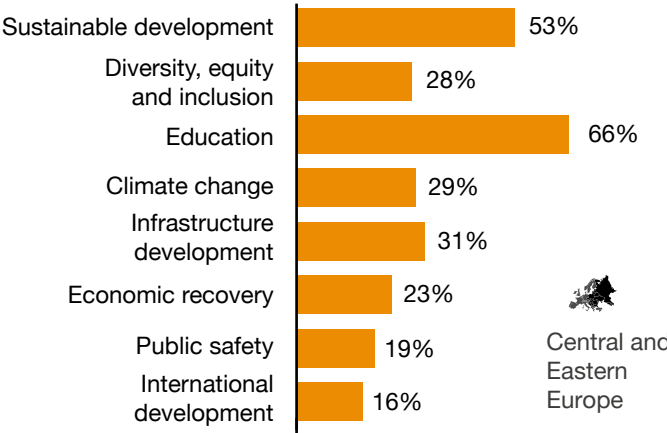
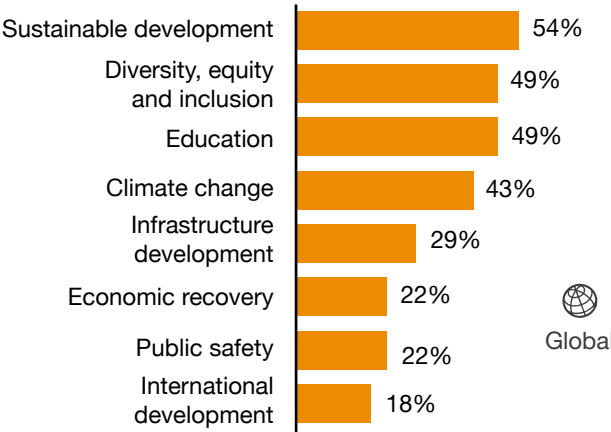
The second main area of collaboration, according to CEOs in our country and in the region, is sustainable development. In third place, according to the percentage of Romanian business leaders who mention it, is diversity, equity and inclusion (32%, significantly less than the 49% globally). For their counterparts in the region, the third most important area of collaboration is infrastructure development.

Climate change is the fourth most important societal issue for CEOs in our country, the region and globally to work on, but it was mentioned by only 27% of business leaders in our country and 29% in the region, compared to 43% globally.

Education and sustainable development are two of the most important areas of collaboration between business and civil society

In which of the following areas is your company collaborating with non-business entities (governments, NGOs or academic institutions) to address societal issues?

Base: All respondents who answered they were collaborating “To a large / very large extent”, “To a moderate extent” or “To a limited extent” with Governments, NGOs or Academic Institutions to address societal issues at the question “To what extent is your company collaborating with the following groups to address societal issues?”



Inside the mind of the CEO



Volker Raffel
CEO E.ON Romania

We are in a very volatile context with multiple crises, and in such an unpredictable context the key is to keep our confidence and continue investing to be prepared regardless of the scenario.

The energy crisis has shown us once again how vital this sector is to the economy. Extensive investments are necessary to ensure energy security and transform the sector into a sustainable one. Distribution networks, both gas and electricity, need billions of euros of investment by 2030 to rank their performance and suitability up to Green Deal and Fit for 55 standards.

In this perspective, renewable energy sources are essential. They are the cheapest and cleanest form of energy available. But their use depends on distribution grids capable of receiving the energy produced and ensuring the quality parameters required by industry and household customers.

Because all these new sources of renewable energy must be connected to grids, there is a need to strengthen them, given the exponential increase in the number of those interested in becoming prosumers or developing power generating capacities.

Investment priorities are also directed towards the replacement of old grids from the 70s, but also the infrastructure from the 90s, which was built, unfortunately, not always to the best quality. At the same time, Delgaz Grid will have to invest even more in cyber security solutions, in technology, in IT, in hydrogen-based projects, as well as in network expansions and in connecting new consumers.

This is our main objective at E.ON. We have invested €2.1 billion since entering the Romanian market and we plan to invest another €2.2 billion until 2030, specifically €700 million from European funds, to which approximately €1,5 billion will be added from our own sources.

For this year, we have budgeted a record investment plan, of over €185 million (LEI 920 million), from our own sources and from European funds, 36% higher than last year. These investments are the largest in the last 18 years since we entered the Romanian market, bringing the total investment in networks to around €1.6 billion. At the same time, we maintained our commitments and carried out investments from our own sources worth around €265 million (approx. LEI 1.3 billion) in 2021 and 2022, years of crisis, at the cost of significant efforts.

It is very important to understand that distribution networks are the backbone for all these developments and evolutions. And distribution tariffs are a key element for stimulating investments that, in addition to the direct benefits brought to consumers, have a multiplying effect in the country's economy. In this context, it is vital to return to normal and to apply correctly and on time the current legislation that sets the tariffs for gas and electricity distribution activities.

I returned to Romania in 2021 and was amazed to see how much the country has developed over the years. The Gross Domestic Product grew last year beyond expectations, and this performance is all the more remarkable because it was achieved in a difficult economic context. Attracting European funds and investments have proven to be key to this development.

I am very sure of Romania's potential for further development and that is why we must continue our investment plans. Romania needs these investments to get out of the crisis. It is the only answer we have to give now.

From an energy point of view, Romania has an excellent starting point, being dependent only on gas or electricity imports to less than about 10%. The potential for investment in wind, solar etc. generation capacity is very good, and we are already seeing increased interest from investors. Romania could, for example, do what Iberian countries are starting to do: attract investors looking for locations to produce cheap energy for the European market.

We aim to play a key role in the transition to green energy, with a focus on energy efficiency. In November 2021, we updated our strategy and set three priorities to focus on in the coming years: sustainability, digitalization, and growth.

Sustainability means, first of all, saving resources, and in the context of the energy crisis this principle encourages efficient consumption of resources and energy. Energy efficiency, investment in green energy and energy transition are measures we must take. Energy waste must be reduced. That is why we have taken on the role of informing customers about the efficient use of energy resources, because every gesture, however small, can lead to considerable results over time. Not wasting energy must become part of our daily lives.

Anticipating this major change in the energy system, we focused on energy efficient solutions for customers and started a few years ago an extensive process of modernizing the electricity distribution, in order to be able to take energy from renewable sources from prosumers. This is also the core of our strategy for years and now it is confirmed more than ever, which makes me confident in our future in Romania.

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To discuss in detail the results for Romania
of the annual PwC Global CEO Survey 2023
please contact us:

Dinu Bumbăcea

Country Managing Partner

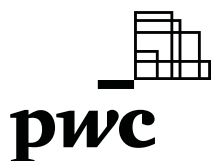
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