VISION 2024

Where is the World Going in 2024 and Beyond?

CEO and Investor Outlook Survey

Teneo®

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01 Foreword

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Disruption breeds opportunity – this is a resounding theme from Teneo's annual CEO and Investor Outlook Survey. The survey captures the views of more than 260 global CEOs and institutional investors representing approximately $3.4 trillion USD of combined company and portfolio value. Whether addressing higher interest rates, war in the Middle East and Ukraine or volatility in the debt and equity markets, operating through disruption has become the new normal for global CEOs and business leaders.

Amidst the disruption, business leaders are signalling a readiness to stop simply reacting and to start capitalizing on opportunity. For instance, CEOs and investors are largely upbeat on the potential for an active M&A market in the new year, adoption of AI technologies and development of a new generation of corporate leadership.

Teneo is fortunate to advise many of the world's leading CEOs and companies as they navigate this environment of uncertainty and rapid-fire change. We hope that this report provides helpful insights as you prepare for 2024.

Wishing you all the best in the new year.

02 Executive Summary

Macroeconomic Outlook

Global CEOs predict a surge in M&A in 2024

- 68% of both CEOs and investors expect a sizable M&A uptick in 2024 despite tougher regulatory oversight and higher cost of capital.
- 53% of CEOs expect worsening economic conditions in the first half of 2024; however, 94% of investors expect the macroeconomic environment to improve.
- 81% of UK-based CEOs surveyed say the value of listing in the UK has declined in the past year, with one-third reporting they considered relisting outside of the UK.

Deglobalization

Four out of five CEOs continue to retool in the face of deglobalization challenges

- 80% of CEOs report ongoing adjustments to prepare for the potential of deglobalization, with a particular focus on supply chain resiliency.
- Meanwhile, 20% of CEOs (more than double last year's rate) are not planning for additional preparations in 2024, indicating that they have already adjusted to this new normal.
- Amidst persistent friction around geopolitics, supply chains and trade barriers, the strategic importance of China has increased in the minds of both CEOs and investors over the past year.

Innovation

AI crossroads: CEOs face pressure to develop powerful AI solutions while minimizing risks

- AI tops the list of technology investment priorities for both CEOs and investors, with nearly 80% actively investing in AI (a 20-point jump from last year).
- As investors push for the development of higher quality AI tools at speed, CEOs grapple with security, legal and compliance risks.
- With one in four CEOs reporting that they do not currently have the right talent to enable adoption of AI, investors believe CEOs may be underestimating the potential disruption within companies' workforces.

Disruption

Anticipated political shifts risk upending corporate strategy

- Domestic political disruption is cited as the top risk heading into 2024, with potential changes to monetary policy and government spending, data privacy rules and environmental regulation of chief concern.
- Every U.S.-based CEO surveyed is making some type of change to their business strategy in anticipation of the outcome of the 2024 presidential election.

ESG

Despite political headwinds, 92% of global CEOs surveyed are staying the course on ESG

- In the face of increasing politicization of ESG, only 8% of CEOs are ramping down their ESG programs. However, 72% of CEOs are making some change in how they operate – with many exercising increased caution on external communication of ESG initiatives.
- U.S.-based CEOs surveyed are divided on DE&I initiatives, with half continuing or accelerating their programs, while over one-third re-evaluate.

Leadership

Current bosses place a premium on technology skills for the next generation of CEOs

- CEOs and investors believe that the next generation of CEOs will need a combination of traditional leadership traits and data/tech savviness.
- Over the next 1-3 years, CEOs believe that compensation will be the greatest retention challenge, while investors put a combination of ESG and DE&I factors at the top of the list.

03 Macroeconomic Outlook

Investors are bullish on the economy, while large-company CEOs hedge their bets. Who gets it right in 2024?

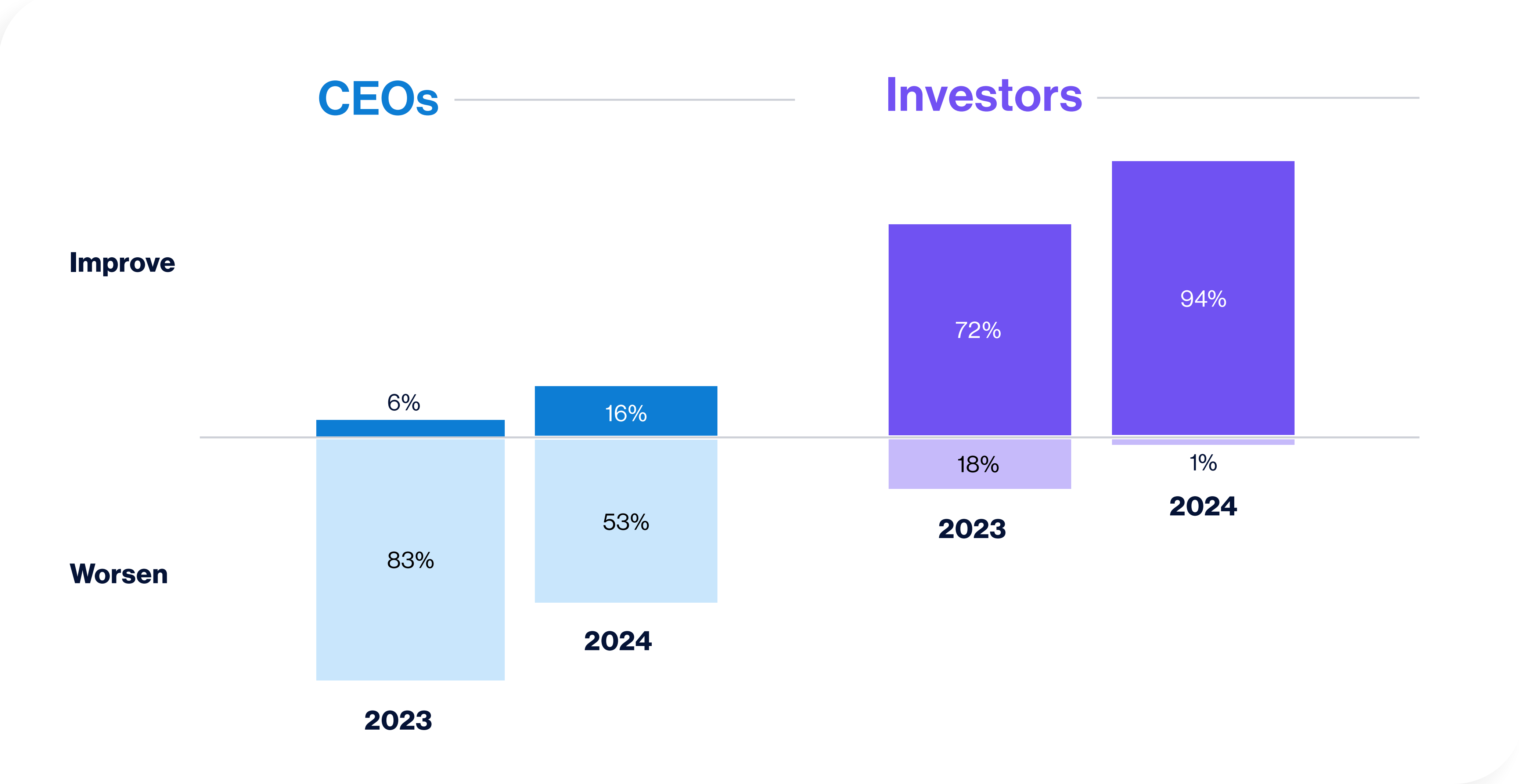
03
Macroeconomic Outlook

The market has become highly bullish on macroeconomic conditions for the first half of 2024, with 94% of investors expecting an improvement in the macroeconomic outlook (up from 72% last year). This view is not shared by CEOs, who remain pessimistic, with 53% expecting macroeconomic conditions to worsen (compared to 83% last year).

It remains to be seen how this disconnect plays out in 2024. However, last year's investor optimism has been validated – with the S&P 500 up 20% year to date, the DAX index up 17% and the Nikkei 225 up 28%, while the FTSE lags at flat year to date.

Question: Do you expect the global economy to improve or worsen over the first six months of 2024?

Figure 1: Macroeconomic outlook, 2023-2024



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Macroeconomic Outlook

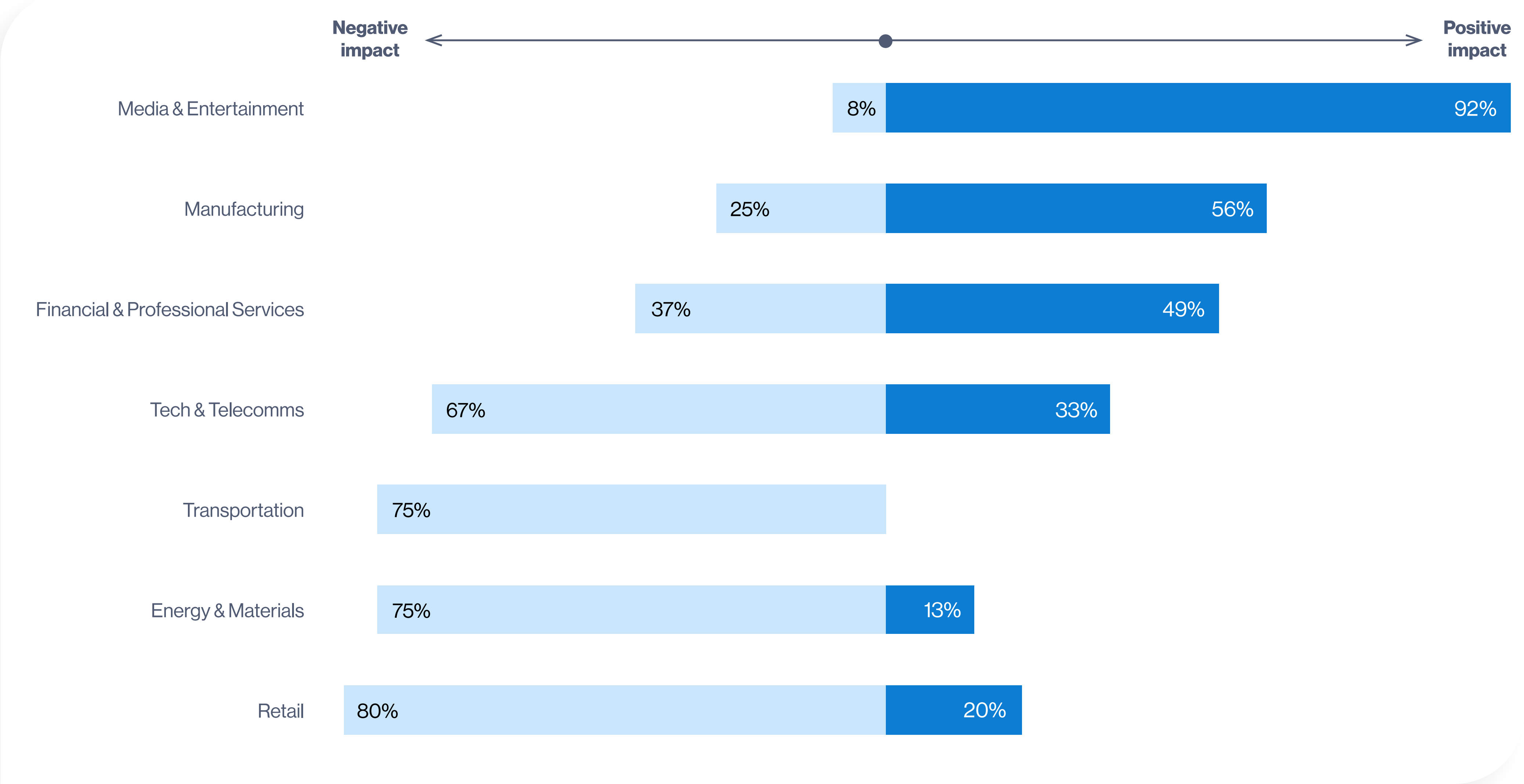
By an overwhelming margin, investors (88%) expect movements in the rate of inflation to have a positive impact on businesses during the first six months of 2024. Yet CEO responses are markedly uneven, depending upon industry and region.

Retail, energy & materials and transportation leaders are bracing for the most serious impact, while those representing media & entertainment, manufacturing and financial & professional services appear poised to benefit.

Meanwhile, CEOs from Latin America (83% positive) and Europe (64% negative) find themselves on opposite ends of the spectrum.

Question: **How much of an impact do you expect inflation to have on your business over the first six months of 2024?**

Figure 2: **Impact of inflation**



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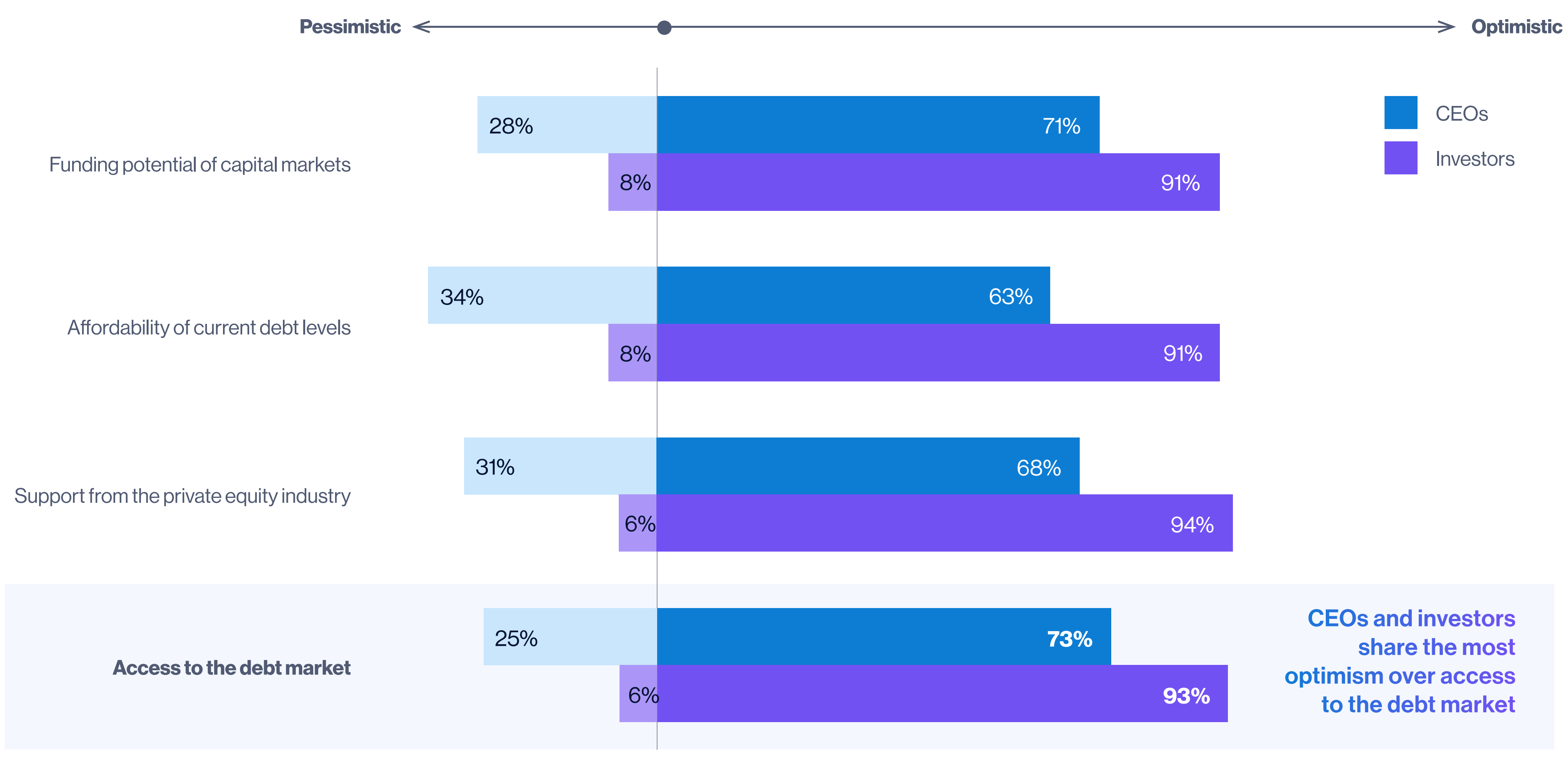
Macroeconomic Outlook

Investors and CEOs share a largely positive outlook on capital markets – including access to debt, capital and private equity funding sources – suggesting that liquidity will continue to remain solid. Given the current interest rate environment, the affordability of debt is, unsurprisingly, a significant pain point for CEOs.

When analyzed by region, CEOs from Asia and Latin America are consistently the most optimistic about capital access going into 2024, while those in Europe and Africa have greater concerns.

Question: **Looking ahead to the first six months of 2024, are you generally optimistic or pessimistic about the following?**

Figure 3: **Access to capital**



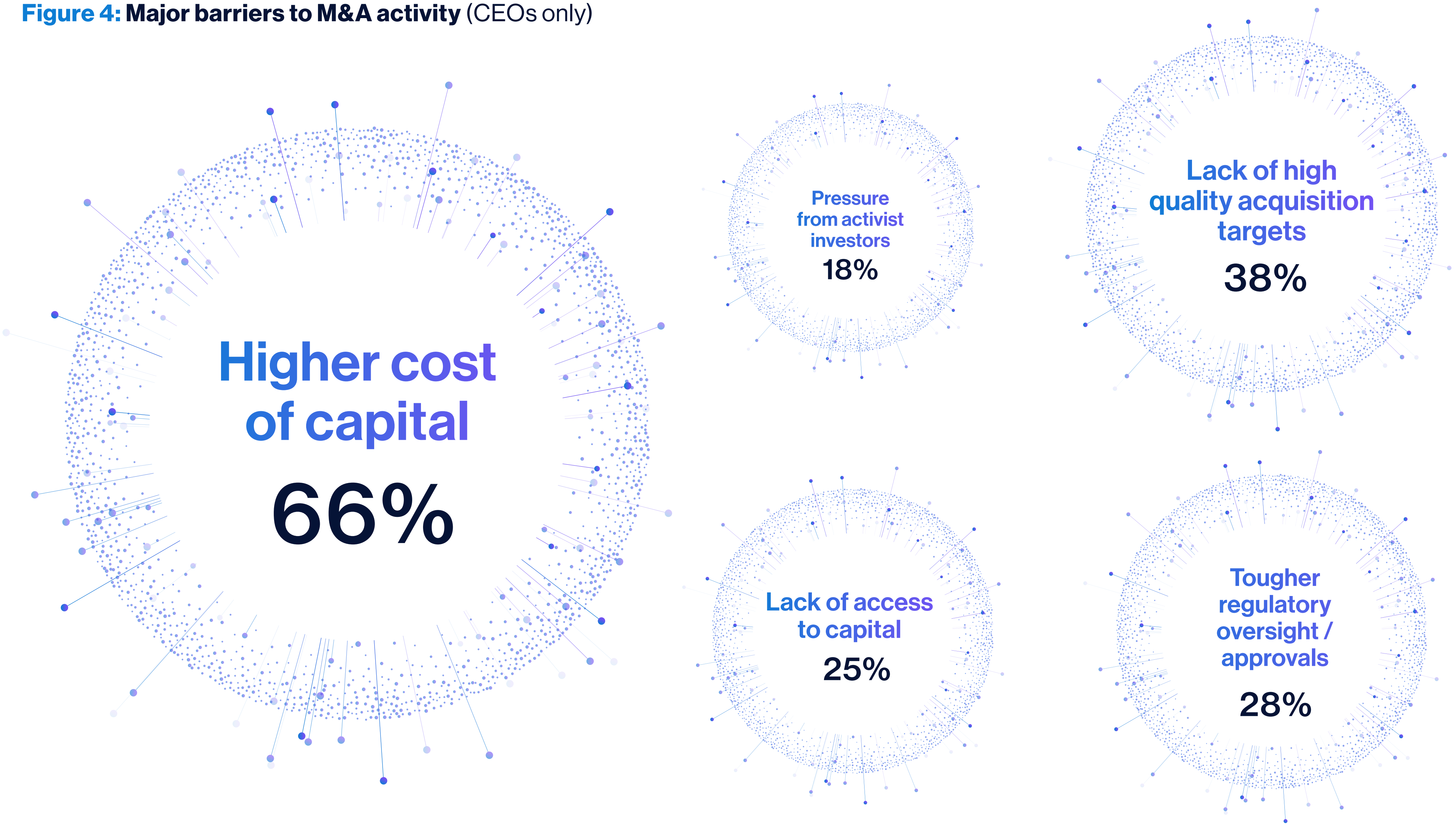
03
Macroeconomic Outlook

M&A appetite is high among both CEOs and investors, with 68% expecting a highly active M&A market in 2024. Cost of capital is the one key pain point for CEOs, with 66% highlighting the higher cost of capital as the top barrier to M&A activity – far outweighing concerns about a lack of high quality targets (38%) and tougher regulatory oversight (28%).

68%
of **CEOs** and **investors** expect an increase in M&A activity in 2024

Question: Which, if any, of the following do you consider to be major barriers to M&A in 2024? (select all that apply)

Figure 4: Major barriers to M&A activity (CEOs only)



03
Macroeconomic Outlook

Debate on the future of London's capital markets has been a central theme of discourse during 2023 – for both the business community (well-articulated by the Capital Markets Industry Taskforce) and the UK government. Reductions in equity holdings by UK pension funds over time is one of the factors being blamed for reduced liquidity in the market. Boards are also concerned about UK corporate governance and stewardship rules, as revealed by the State of Stewardship report in 2022.

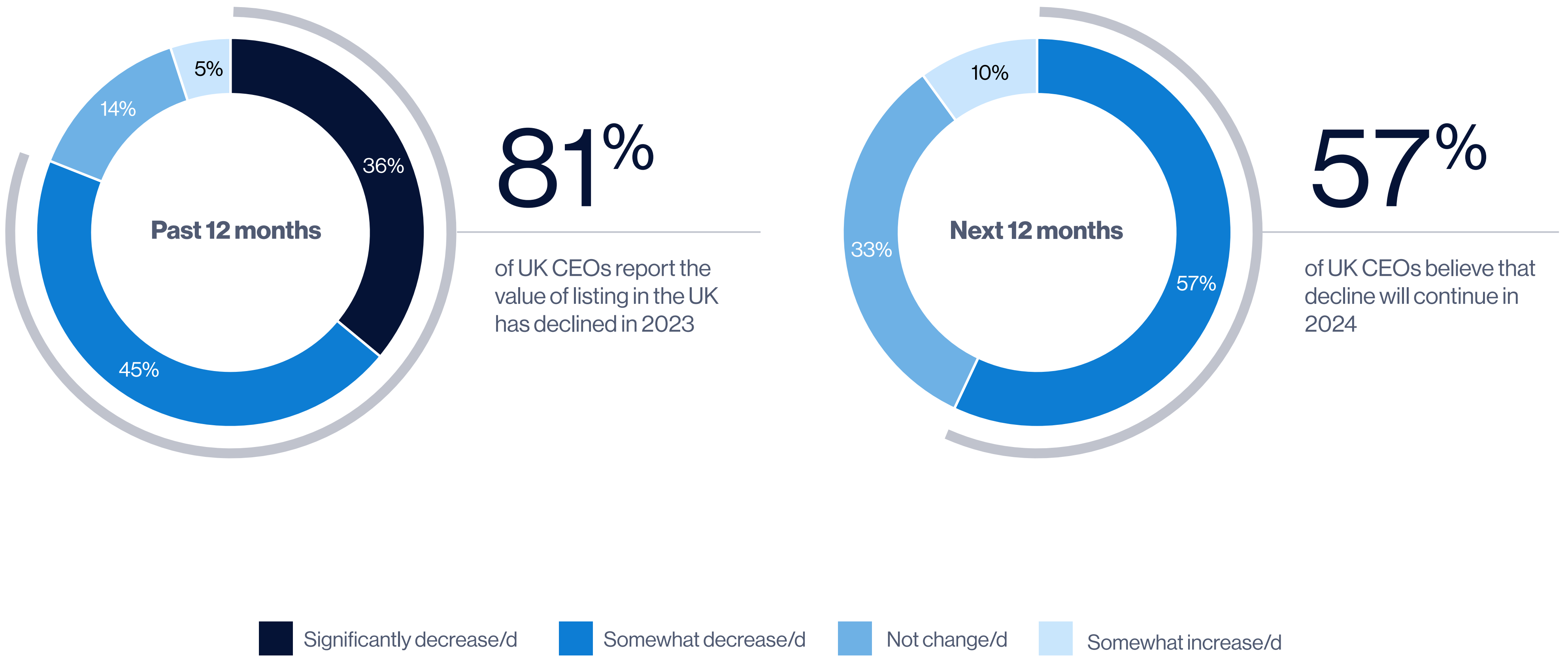
Of the sample of UK CEOs surveyed, 81% say the value of being listed in London has declined over the past 12 months. 57% say they expect that to worsen in the year ahead. Although, to date, few companies have made the decision to change listing venue, roughly one-third of those surveyed say they have considered switching their listing elsewhere.

32%

of **UK CEOs** surveyed have discussed with their board the potential of moving their listing away from the UK market

Question: Thinking about the past / next 12 months, do you feel the value your company gets from being listed in the UK, versus listing in other markets, has / will increase/d or decrease/d?

Figure 5: Value from being listed in the UK (UK CEOs only)



04 Deglobalization

As deglobalization reshapes the global economy, are the most significant impacts yet to come?

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Deglobalization

Deglobalization is an important long-term trend. Indeed, two-thirds of CEOs and investors agree that 2024 will see a continuing push toward deglobalization.

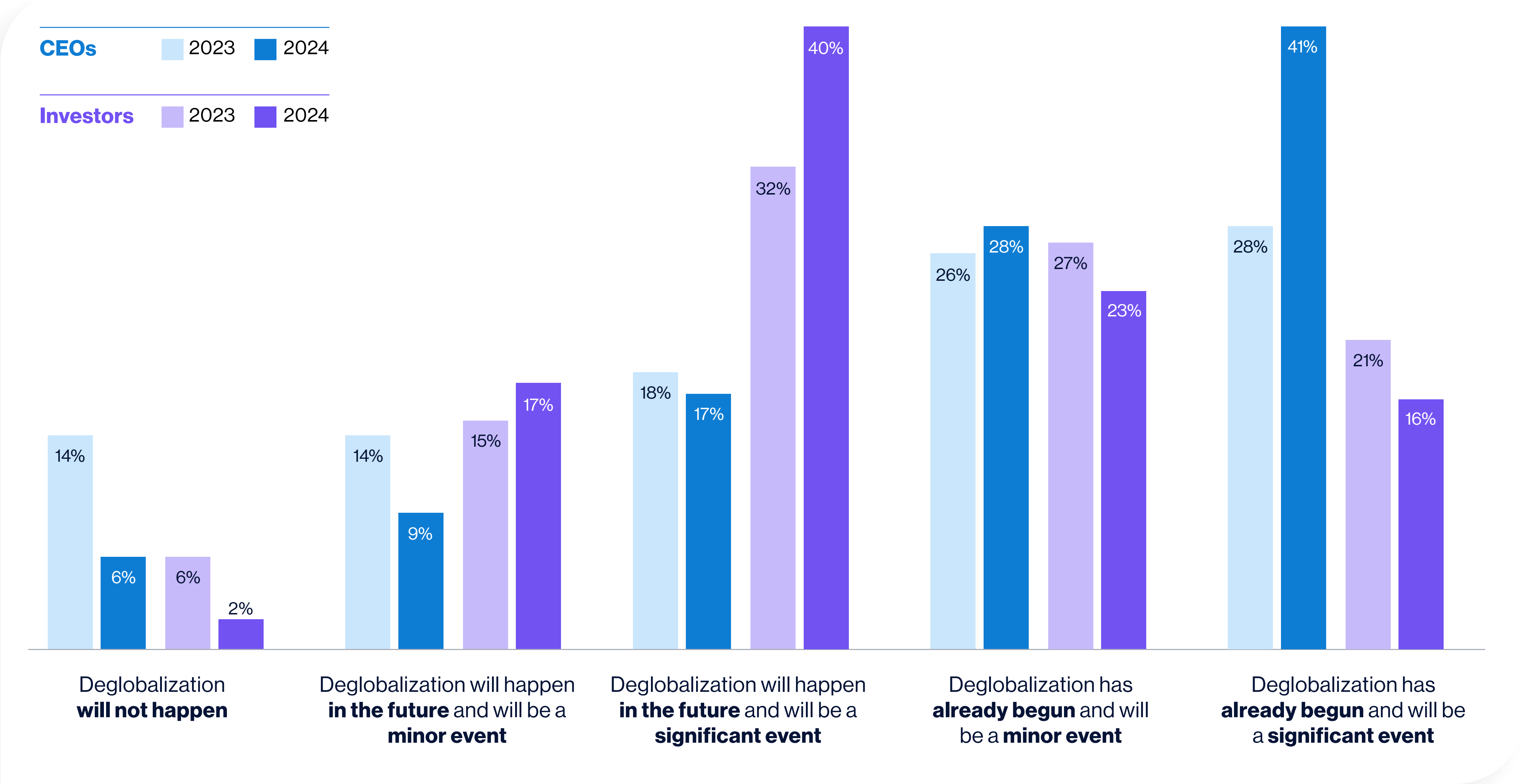
However, responses are split over whether the most significant impacts of deglobalization have already begun (69% of CEOs) or will happen in the future (57% of investors), suggesting that deglobalization may yet be more of a "process" than an "event." CEO responses may also reflect that businesses have already implemented significant changes in response to deglobalization (see Figure 8), while investors are still waiting to see how those bets pay off with regard to margins and profitability.

69%
of **CEOs** believe the most significant impacts of deglobalization are already underway

57%
of **investors** believe the most significant impacts of deglobalization are yet to come

Question: **Which of the following is closest to your own view about the potential for deglobalization?**

Figure 6: **Deglobalization – timing and significance, 2023-2024**



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Deglobalization

Investors are focused on several aspects of deglobalization. CEOs appear to see deglobalization risks mostly on the supply side (effects on production changes and global exchange of goods) but less on the demand side (market access, cultural factors, monetary policy).

With almost 60% of CEOs acknowledging concerns over geopolitical tensions in terms of deglobalization, it raises questions about whether CEOs see geopolitical tensions as a driver of deglobalization, an impact of deglobalization, or both.

Question: Which of the following aspects of deglobalization are you most concerned about? (select all that apply)

Figure 7: Deglobalization concerns

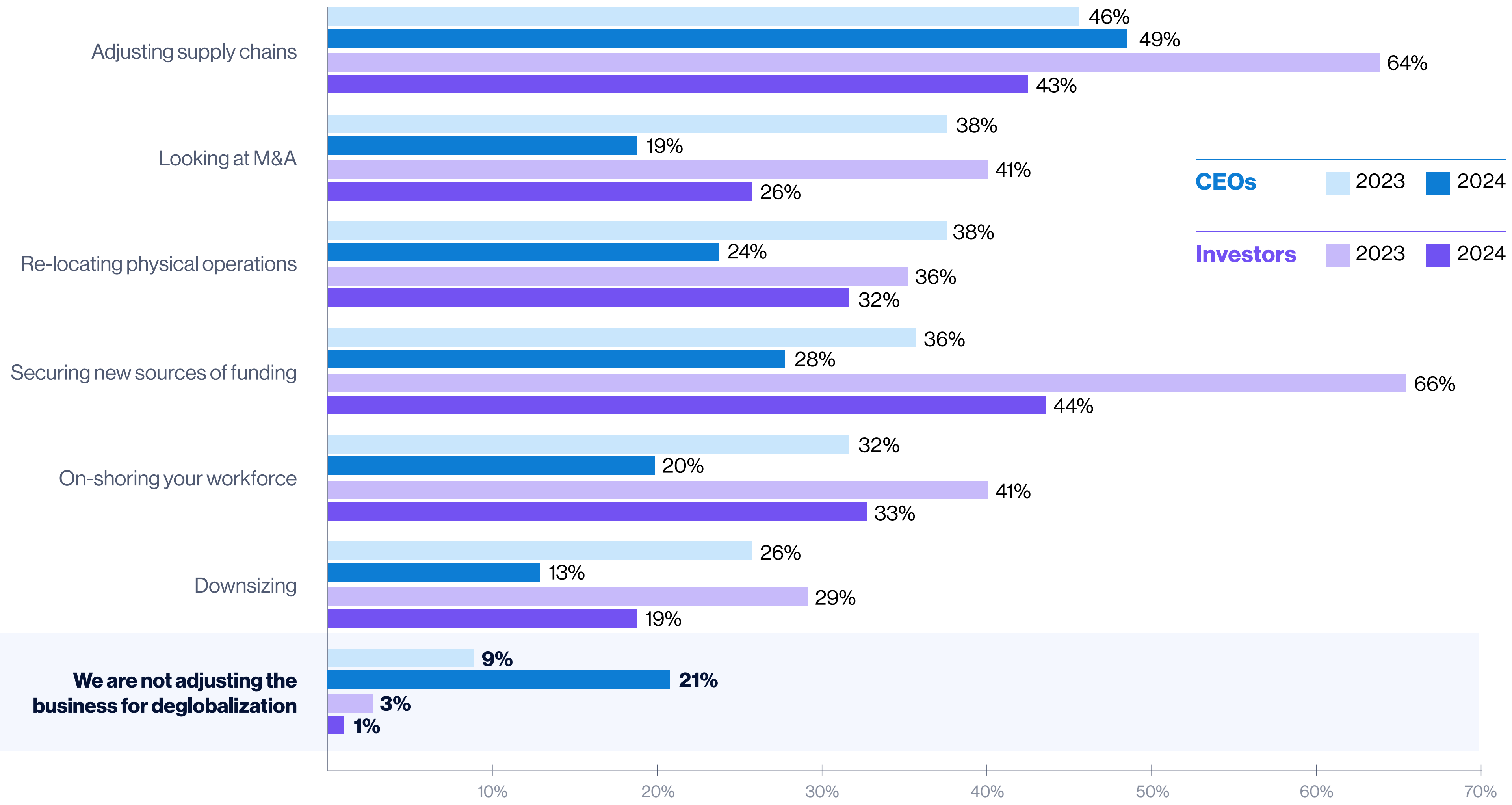
04
Deglobalization

One in five CEOs report that they are not making any adjustments to their business in 2024 to account for deglobalization, indicating that necessary preparations may have already been made and that companies have adapted to the new reality.

For the majority of companies that are still retooling, the focus is on the supply side. Almost 50% of CEOs are looking to make their supply chains more resilient; however, only 24% are planning to re-locate physical operations in 2024. One lesson may be that companies are pursuing supply chain rationalization, without wholesale abandoning China and other markets. Companies may also find that alternative providers for manufacturing and sourcing present risks of their own. Finally, while the geopolitical tensions noted in Figure 7 may be pushing some companies out of China and other markets, ambitious policies such as the Inflation Reduction Act and the CHIPS Act in the U.S. are promoting both onshoring and "friendshoring."

Question: How, if at all, is your business adjusting / should leading corporations adjust to the potential for deglobalization?

Figure 8: Adjusting for deglobalization, 2023-2024



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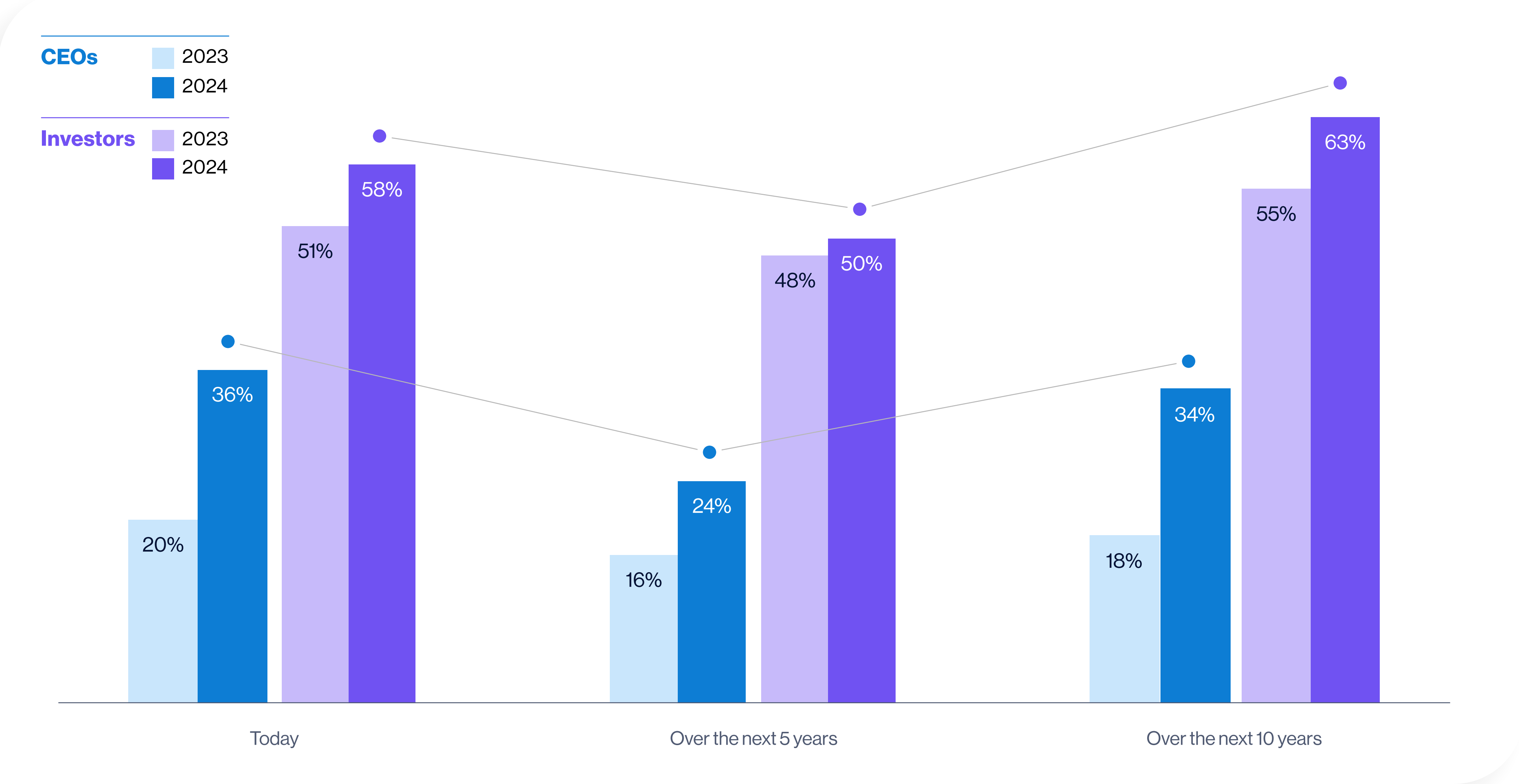
With the end of China's "zero-COVID" policy in January 2023, the strategic importance of China rebounded for both CEOs and investors over the past 12 months. What's more, 34% of CEOs (up from just 18% last year) and 63% of investors (up from 55% last year) report that China is important to their strategy over the next 10 years. To put it another way, headlines about companies decoupling from China may be overstated.

The U-shaped curve in responses is an indicator that most CEOs and investors have a positive view of opportunities in China today – and remain committed to the China market for the long-term. However, the dip at the five-year mark indicates that a fair measure of uncertainty remains about the challenges ahead, especially if the Chinese economy hits a speed bump and geopolitical tensions remain high.

Question: How important is China to your business / investment strategy...

Figure 9: Importance of China to business/investment strategy, 2023-2024



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05 Innovation

Who wins in an AI-powered future?

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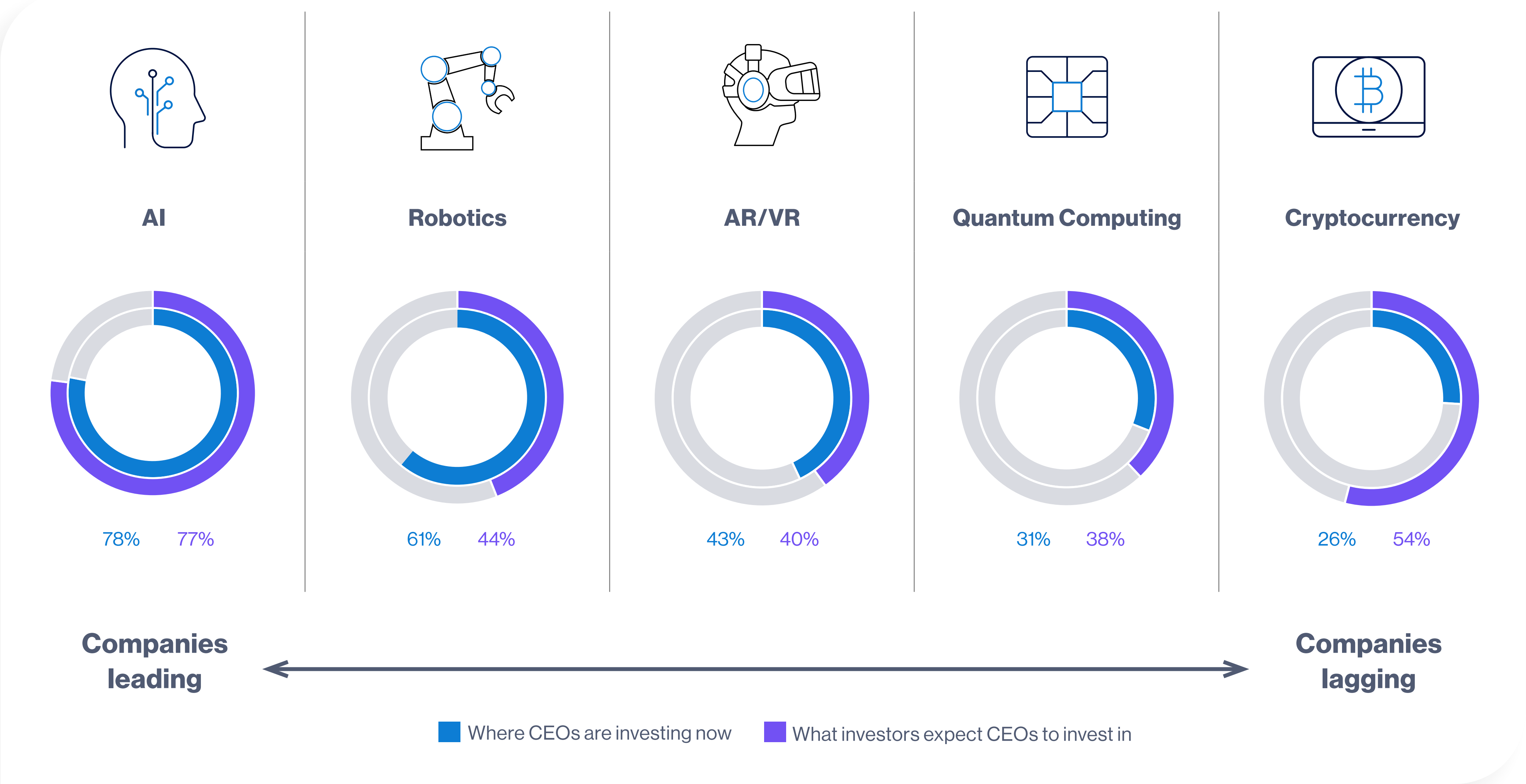
Innovation

2023 will be marked as the year AI went mainstream and CEOs took notice. Investments in AI are the highest priority for companies' technology spending, as CEOs look to AI to drive up efficiency and quality while boosting overall performance. The market clearly supports that strategy. According to the survey, AI is the only technology vertical where corporate leaders and investors are perfectly aligned on technology investment levels.

Although technology investment priorities in other areas are also generally well-aligned, a notable exception is investment in crypto. With anticipated interest rate cuts and the potential approval of listed Bitcoin funds pushing the price of cryptocurrencies to a high point for the year, investors are far more optimistic than CEOs on a resurgence of cryptocurrency.

Question: Which of the following technologies is your company actively investing in? (select all that apply)

Figure 10: Investment in technology



05
Innovation

With the explosion of new AI technologies, 78% of CEOs are investing in AI – a 20-point jump from last year. However, analysis of responses by region reveals significant risk of potentially uneven development of the technology worldwide.

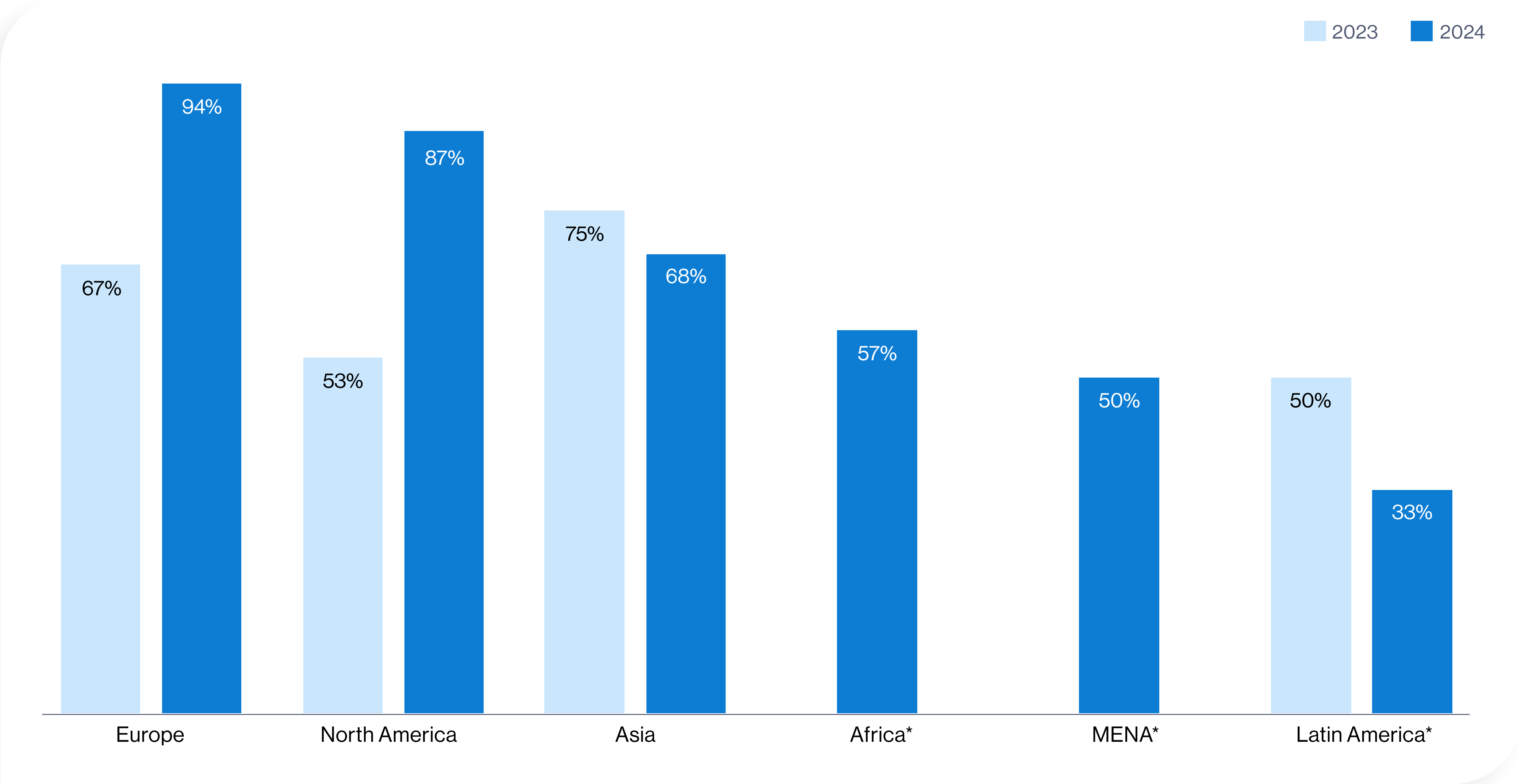
Given the global race for AI talent and high costs and export restrictions tied to critical AI hardware, companies in developing economies are significantly (up to 61 points) less likely to be investing in AI. The resulting digital divide could leave developing economies behind and institutionalize biases in the development of new AI-powered capabilities.

78%

of **CEOs** are investing in AI, a 20-point jump from 2023

Question: Which of the following technologies is your company actively investing? (select all that apply)

Figure 11: Investing in AI by region, 2023-2024 (CEOs only)



*small sample sizes in 2023

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Innovation

For CEOs, data security, compliance and qualified talent are the most significant factors preventing faster AI adoption. Investors, however, believe that the quality of AI tools and implementation costs are the greatest barriers to adoption.

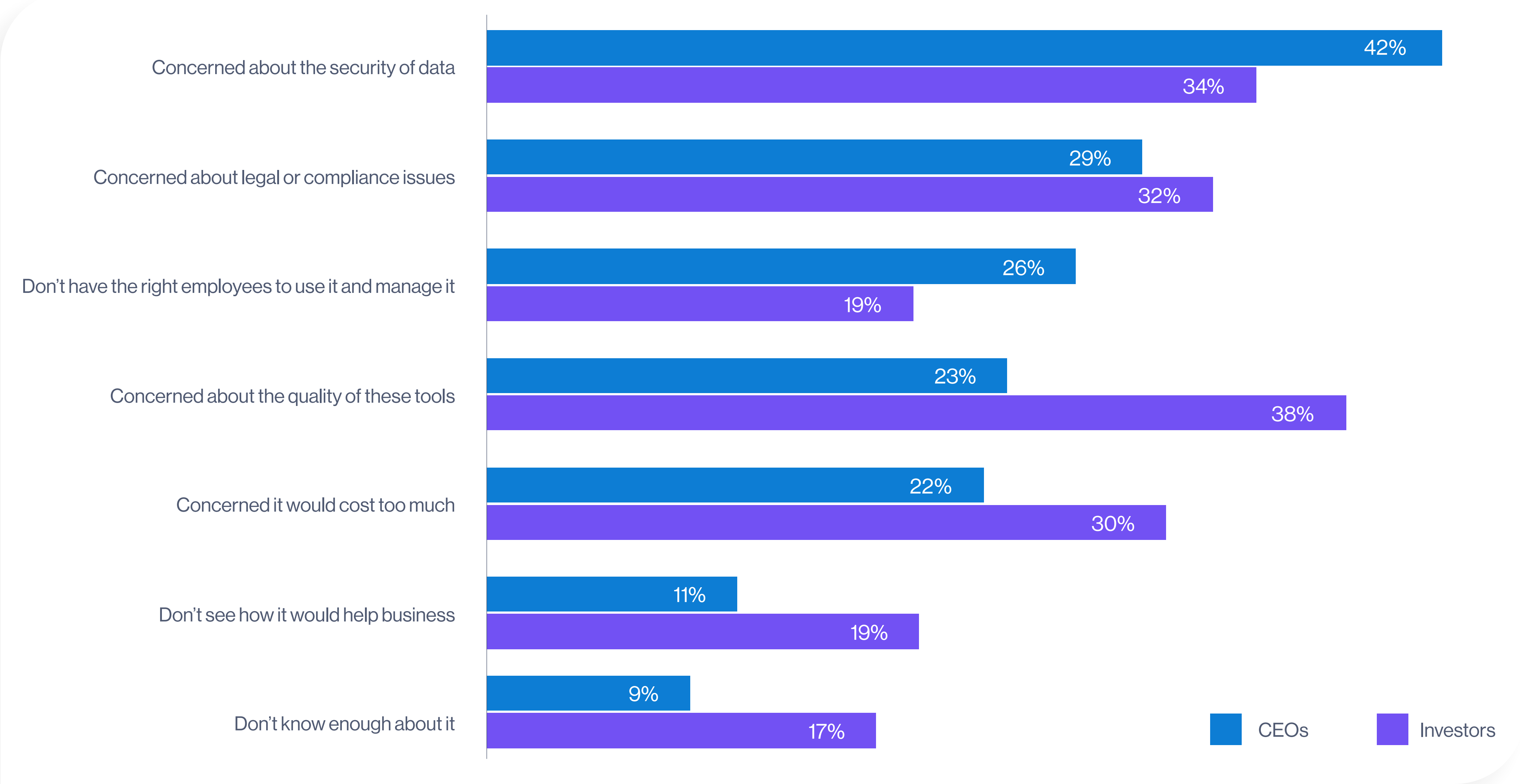
Earlier this year, Stanford University found an increase in U.S. job postings across sectors and job types that listed AI fluency as an essential skill. More recently, the Biden administration's Executive Order on AI made changes in immigration rules to widen access for foreign workers with essential AI abilities. It is clear that those businesses that crack the code on AI talent will be well-positioned for success in the coming years.

1 in 4

CEOs do not believe that they have the right people to power their adoption of AI

Question: **What is the biggest barrier to your business / leading corporations adopting AI?** (select all that apply)

Figure 12: Barriers to AI adoption



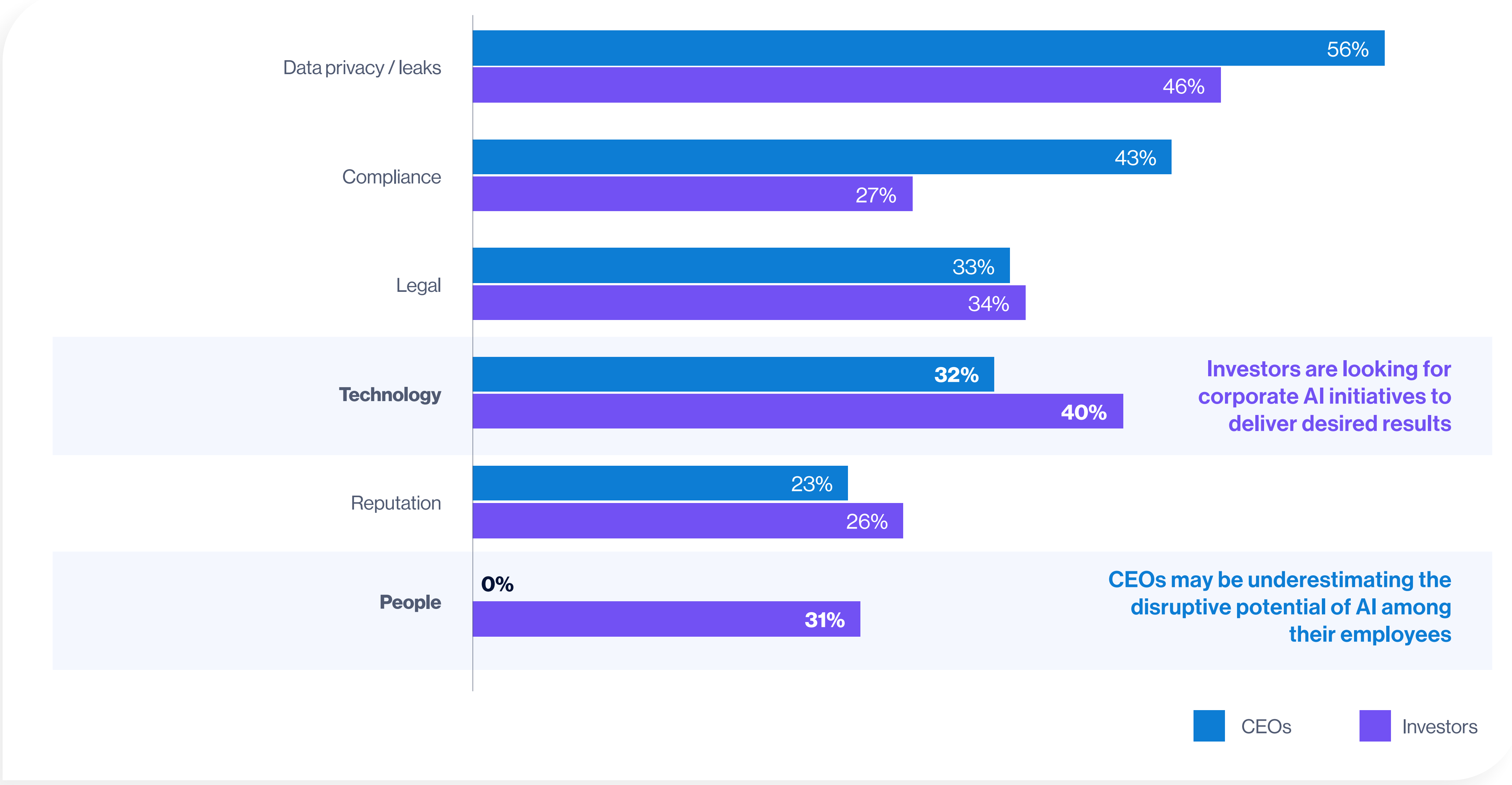
05
Innovation

To be sure, CEOs are focused on privacy and compliance risks implicit in the use of AI, while some 40% of investors are primarily looking for tangible results – particularly given the associated costs of implementation.

Notably, virtually no CEOs cite people risks (e.g., employees refusing to work with the technology, turnover, reskilling/training issues) as an area of concern, compared to 31% of investors. This disconnect suggests that CEOs may be drastically underestimating the potential for disruption within their own ranks. Given the pressure to hire employees with AI fluency (see Figure 12), businesses must also develop comprehensive reskilling and upskilling programs to boost AI literacy among their workforce – or risk attrition among those who worry AI will come for their jobs.

Question: **What do you see as the biggest risks to your business / leading corporations of using AI?** (select all that apply)

Figure 13: **AI risk profile**



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06 Disruption

All politics is local. But what happens when a handful of voters in one country set the course for the global economy?

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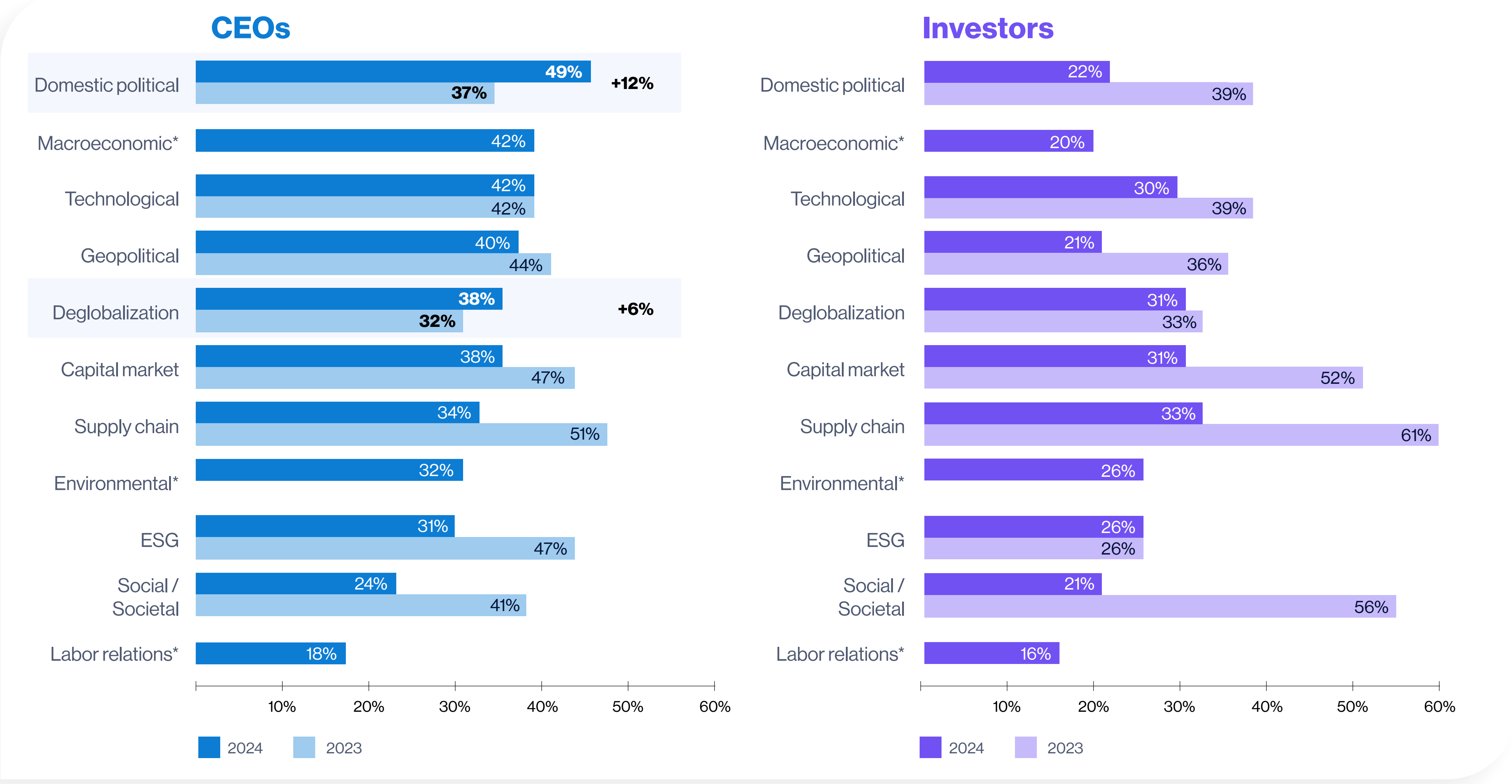
Disruption

CEOs and investors are both preparing for a less disruptive 2024 with one notable exception: half of CEOs are positioning their organizations for greater domestic political disruption. All eyes are on elections in 2024, as historic numbers of voters head to the polls, many in key geographies. The question remains over what form(s) domestic disruption will take and whether outright social unrest or more specific policy and/or regulatory risks will emerge (see Figure 15).

Question: In which of the following areas is your business / should leading corporations be preparing for further disruption in 2024? (select all that apply)

Figure 14: Preparing for disruption, 2023-2024



*New for 2024 survey

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06 Disruption

More than half the world's population potentially will be heading to the polls over the next 12 months. That includes significant elections slated in the regulatory powerhouses of the EU and U.S. As a result, CEOs and investors are bracing for potentially sudden and significant changes in policy that could negatively impact businesses.

Policy questions loom large, and monetary, regulatory and industrial policy questions are top of mind for CEOs and investors. More traditional geopolitical risks such as China, Ukraine, migration and even equality/inclusion issues feature less prominently.

Question: Looking ahead to future elections and the possibility of sudden shifts in policy and regulatory policies, which of the following policy disruptions would have the biggest negative impact on <u>your business</u> / <u>leading corporations</u>? (select all that apply)

Figure 15: Top policy disruptors

Monetary policy and government spending

41% CEOs

34% Investors

Data and privacy rules

36% CEOs

32% Investors

Environmental goals and regulations

34% CEOs

32% Investors

Priorities for government support of industries

33% CEOs

29% Investors

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Disruption

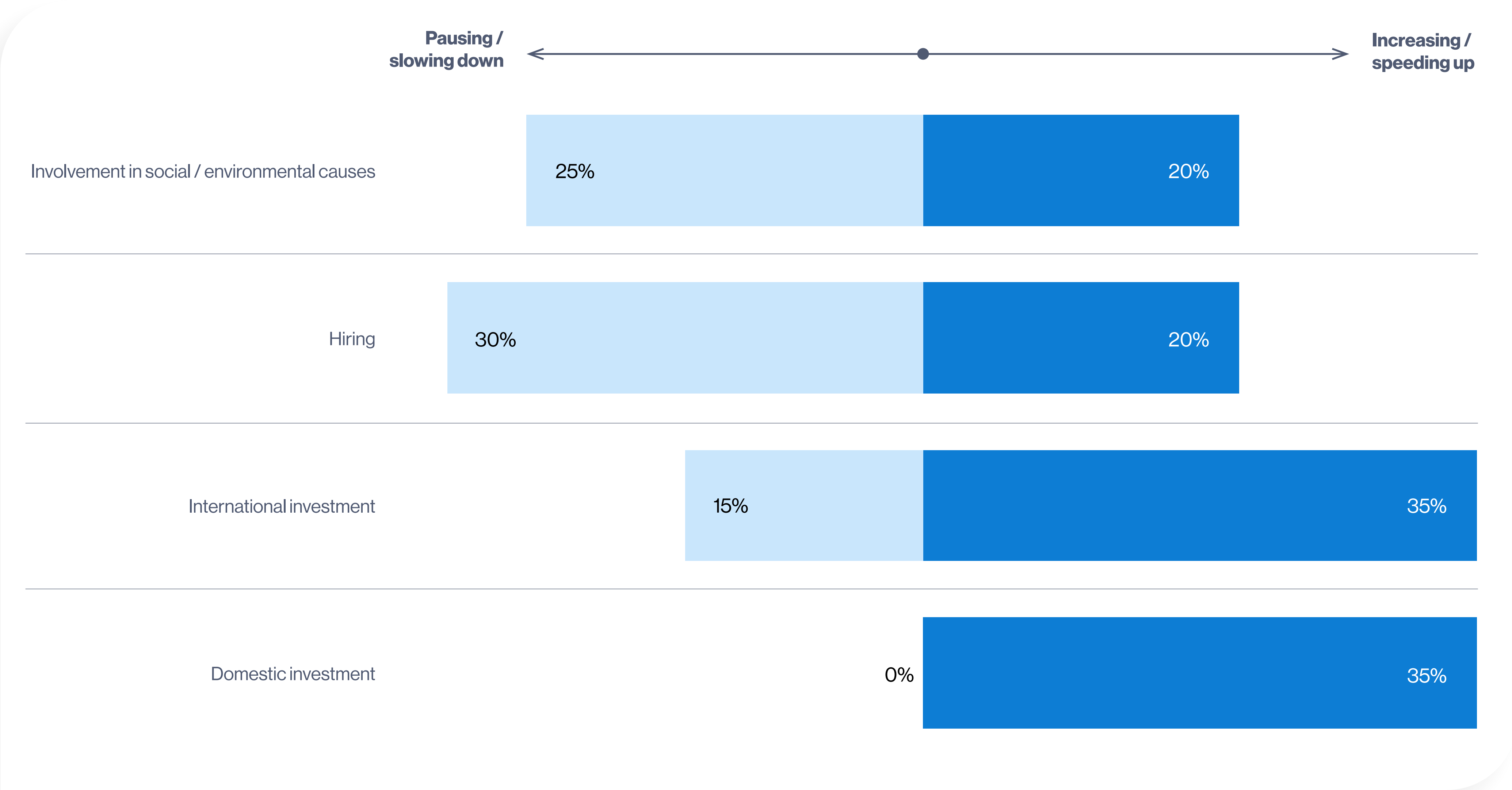
Every U.S.-based CEO polled is making some type of adjustment to their business strategy in anticipation of the 2024 presidential election. With election results likely to be down to the wire, the decisions of a handful of voters in a few purple U.S. states may yet determine the direction of the global economy for years to come.

61%

of **U.S. CEOs** are increasing investments in anticipation of the 2024 U.S. presidential election

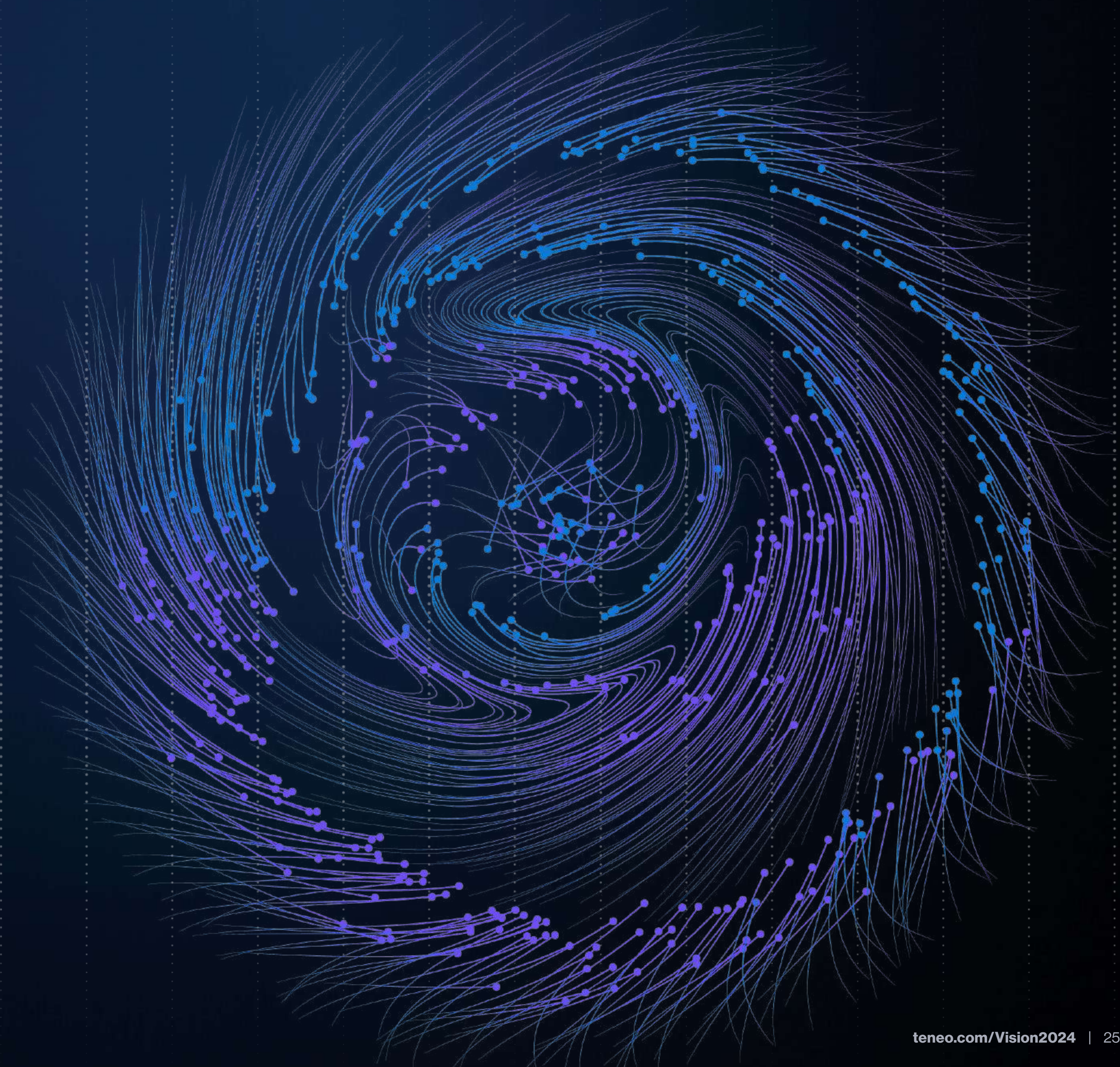
Question: Thinking about the upcoming U.S. presidential election in 2024, which of the following reflect your business strategy regarding its outcome? (select all that apply)

Figure 16: Response to upcoming U.S. presidential election (U.S. CEOs only)



07 ESG

Facing political headwinds, are global businesses quiet quitting ESG?



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ESG

Companies can't ignore the recent politicization of ESG. Survey results indicate that 72% of CEOs polled are making one or more changes in how they operate in response to the shifting environment.

However, whether they chose to be less vocal about their ESG initiatives externally – or even eliminate the acronym from their communications altogether – a vast majority of CEOs continue to believe that certain ESG issues are critical to their business and to their stakeholders. In fact, only a very small percentage of companies (8%) report ramping down some of their ESG-related programs in response to these political headwinds. Those that do so may avoid some short-term backlash, but still face increased scrutiny from stakeholders and forego benefits to the business in the longer-term.

92%
of **CEOs** are standing by their ESG-related programs

Question: How, if at all, has the politicization of ESG affected how your business operates? (select all that apply)

Figure 17: Response to politicization of ESG (CEOs only)

We have **ramped down** some of our ESG-related programs

We have become **more cautious** about which ESG topics we engage with

We have spent **more time listening** to employees and customers to determine which issues matter to them

We are continuing to do what we believe is right, but are **discussing it less** outside of the business

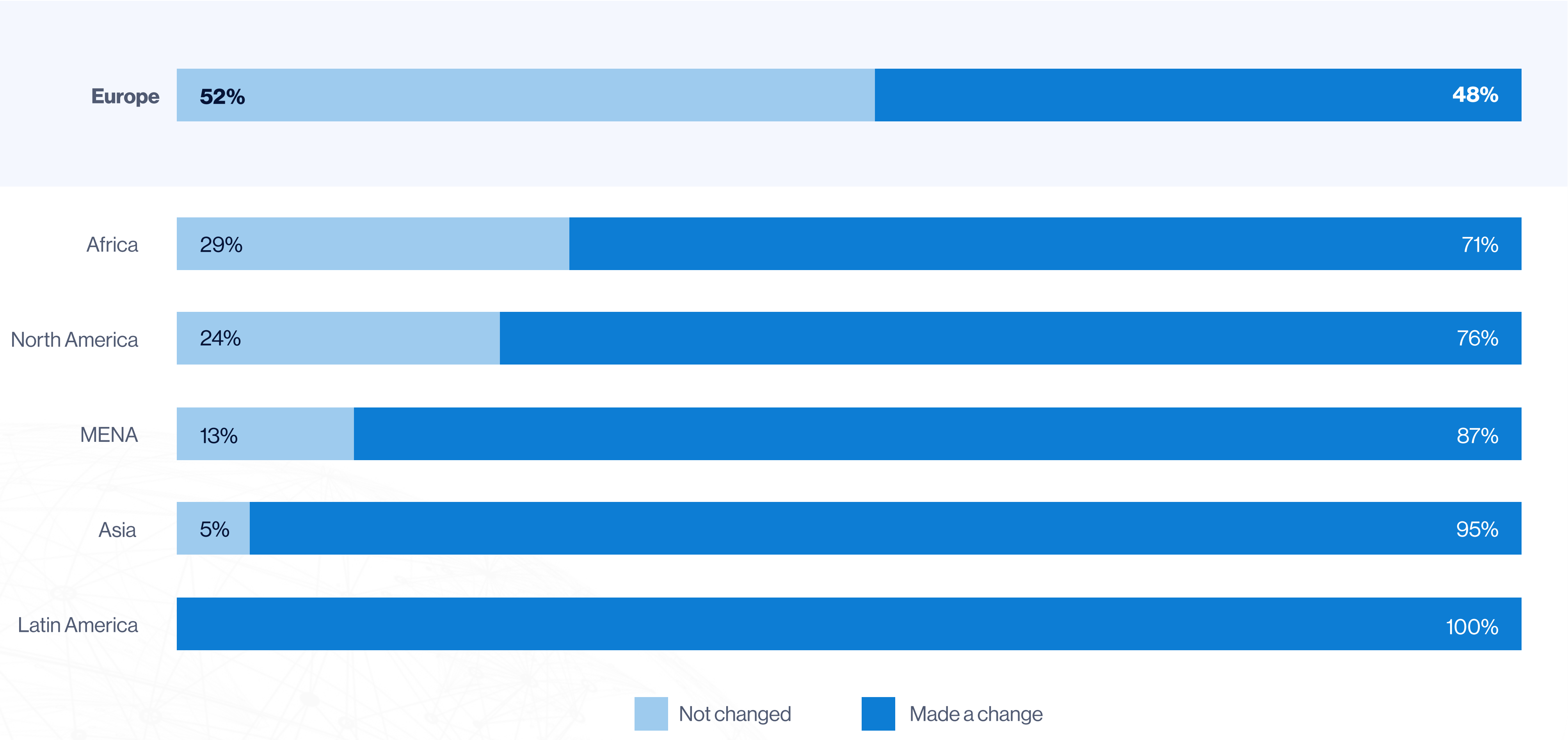
07
ESG

The ESG politics of each region are complex. According to the survey, those regions that are newer to ESG (Latin America, MENA, Africa, Asia) are reprioritizing issues and listening to stakeholders at a higher rate than those regions where ESG initiatives are more established.

Europe is the only region where the majority of CEOs (52%) indicate that the politicization of ESG has not affected how their businesses operate. European CEOs continue to hold fast and indeed lead the rest of the world from an ESG reporting and regulatory perspective. Therefore, leaders of global companies will need to address European requirements and other ESG mandates, regardless of how the political landscape continues to evolve.

Question: How, if at all, has the politicization of ESG affected how your business operates?

Figure 18: Response to politicization of ESG, by region (CEOs only)



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ESG

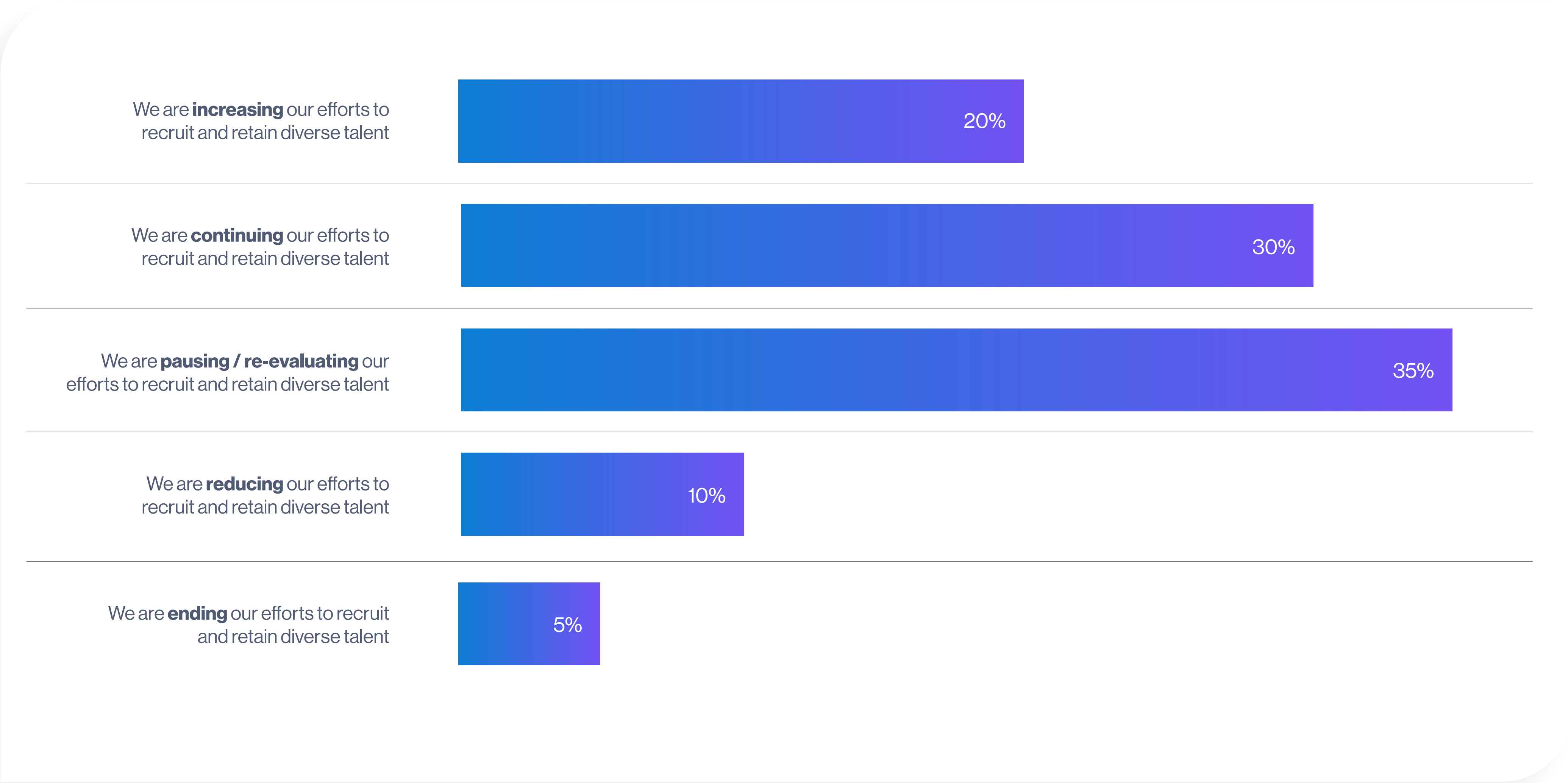
U.S.-based CEOs are divided on DE&I programs: half are continuing or accelerating their programs, 15% are scaling back or ending their programs and over one-third are taking time to re-evaluate.

Companies have had to contend with increased scrutiny regarding their DE&I programs in 2023, as recent regulatory and legislative challenges to topics such as LGBTQ+ rights and affirmative action have invigorated anti-DE&I initiatives/groups.

While there has been no legal change to corporate DE&I rules and regulation, the perceived risk is likely to increase with DE&I on the agenda for the 2024 election. Those pausing or re-evaluating are likely adapting messaging to minimize risk and are cautiously monitoring the environment. It will be critical for companies to include legal perspectives alongside the business risks of slowing down or scaling back their DE&I programs.

Question: How are you thinking about your business's diversity, equity and inclusion programs?

Figure 19: DE&I programs (U.S. CEOs only)



08 Leadership

EQ + TQ: Can the next gen CEO succeed without both?

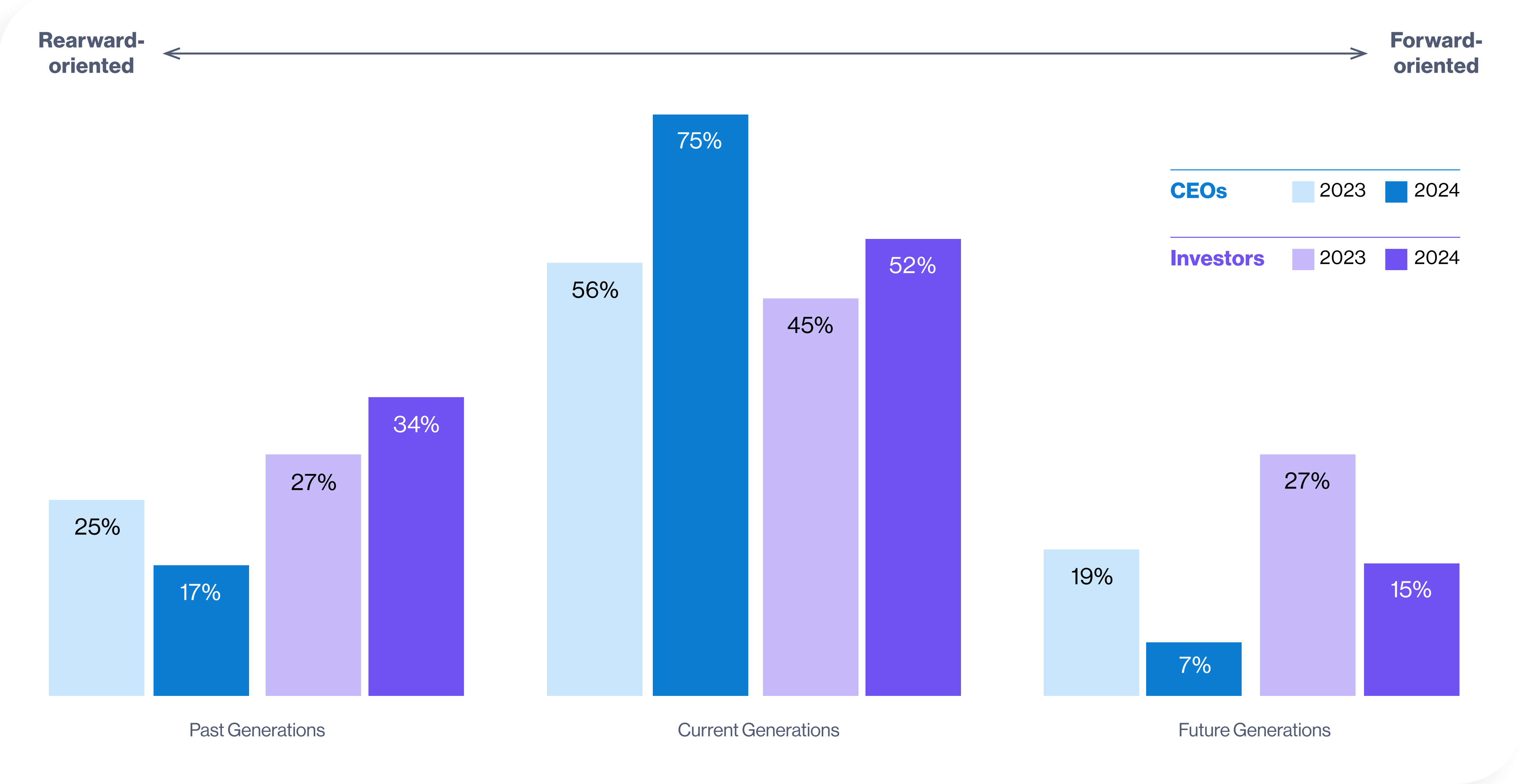
08
Leadership

The ground under the feet of leaders is shifting as they experience a transformed employee-employer dynamic and a generational shift in the workplace. Millennials and Generation Z, who now make up the largest part of the workforce, put mental health, workplace discrimination and inequality high on their lists of societal concerns. They expect leaders to step forward on social issues, and they are more likely to speak out on their experiences at work.

However, the survey reveals that executive teams today overwhelmingly represent the perspectives of the current generation (rather than past or future generations). Today's leaders clearly need to work harder than ever to listen, understand and respond as the rules of engagement continue to evolve.

Question: Thinking about your group / leading corporations' groups of executive-level decision makers, do they represent the perspectives of:

Figure 20: Perspectives represented by executive-level decision makers, 2023-2024



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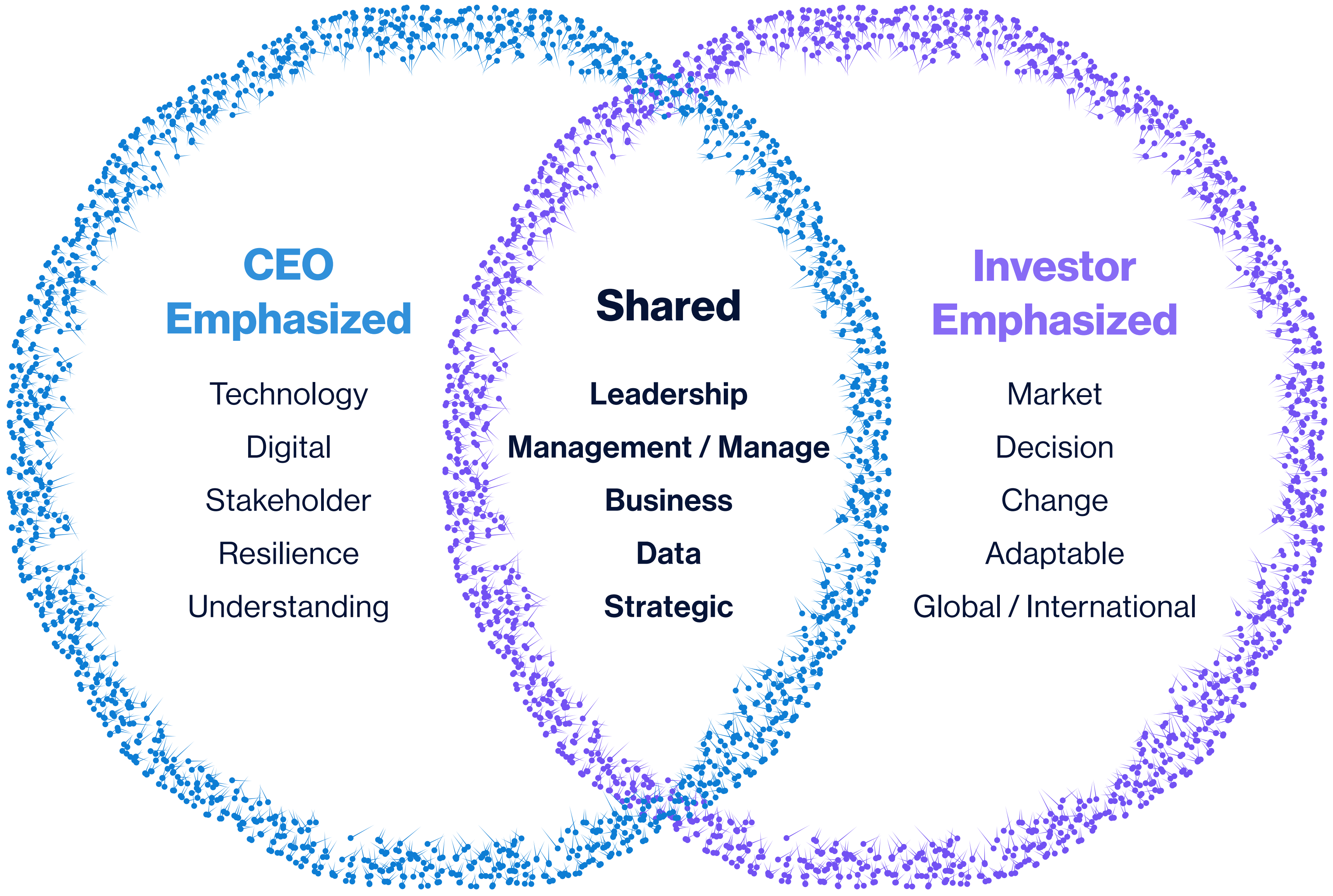
Leadership

Managing through unprecedented disruption is challenging and radically altering the leadership skills required of CEOs and their teams. The combination of skills and talents required of the next generation of CEOs that emerges from this year's survey is fundamentally different from those emphasized just 12 months ago.

Current CEOs believe their successors should be equipped to understand rapid changes in technology, address uncertainty in the macro environment and build a strong culture from within – skills that will benefit the business today and into the future.

Question: What skills and talents will the next generation of CEOs need to bring to their jobs?

Figure 21: Skills and talents required of the next generation of CEOs



08 Leadership

Compensation will always remain a key factor in retaining talent. However, investors (48%) and CEOs (28%) also clearly understand that companies' DE&I and ESG practices are considered critical retention factors – and increasingly so – as the workforce tilts toward Millennials and Generation Z.

Question: What do you think the greatest retention challenge for leading corporations will be in the next 1-3 years?

Figure 22: Greatest retention challenge in the next 1-3 years

	ESG and DE&I related factors	Compensation	Communication of strategy
CEOs	28%	28%	13%
Investors	43%	8%	11%

Methodology

For more information about the Vision 2024 survey, please contact info@teneo.com.

Teneo's Vision 2024 CEO and Investor Outlook Survey was conducted by the firm's in-house data, insights and analytics team.

The survey includes the views of more than 260 global CEOs and institutional investors representing more than $3.4 trillion USD of company and portfolio value.

The CEOs surveyed represent a global distribution of publicly traded companies with a minimum annual revenue of $1 billion USD or greater. Large companies are defined as $10 billion+ USD in annual revenue; mid-sized companies are defined as $1 billion USD – $9.99 billion USD in annual revenue.

The investors surveyed include a global sampling of professional investors in investment banking, institutional investing, venture investing, asset management, private equity and hedge funds.

The survey was conducted between October 12 and November 27, 2023.

Note: Some columns throughout the report may not total to 100% due to rounding.

Teneo

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Drawing upon our global team and expansive network of senior advisors, we provide advisory services across our five business segments on a stand-alone or fully integrated basis to help our clients solve complex business challenges. Our clients include a significant number of the Fortune 100 and FTSE 100, as well as other corporations, financial institutions and organizations.

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