



BREXIT IN THE BOARDROOM:

THE VIEW FROM BUSINESS

AUTUMN 2018 UPDATE

EXPERTS WITH IMPACT™

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Introduction

Welcome to FTI Consulting's second *Brexit in the Boardroom* survey report.

There are now less than six months to go until the 29 March 2019 deadline, and we wanted to take the temperature of business leaders across Europe.

In our latest survey, *Brexit in the Boardroom: Autumn 2018 Update*, we talked to over 2,000 leaders of large businesses across four major EU economies (France, Germany, Spain and the UK) in late September to understand how their plans for Brexit have evolved, whether their expectations have changed, and what concrete steps they have taken during 2018 to prepare for Brexit.

In our previous survey (December 2017) we were surprised by the confidence of large businesses that they were prepared for Brexit. That confidence is still high – 68% of firms overall feel that they are 'prepared' for Brexit – this has barely changed after 10 months of 2018. Similarly, in our previous report we found a large number of businesses believed the Brexit would be largely a 'soft' one, but this confidence has slipped 7 percentage points on the various 'red line' issues. The number of firms expecting to keep free movement of people has slipped from 59% to 53% overall, with the change being most pronounced in the UK (63% down to 55%). Similarly, expectations of tariff-free access have dropped in the UK from 75% to 68%, with similar reductions in Germany from 64% to 53% and Spain from 59% to 49%.

Confidence about business performance in the 12 months following Brexit remains positive but has slipped – those expecting positive turnover post-Brexit has dropped from 66% to 59%. Similarly, last year 12% of firms expected some sort of decrease in turnover – that figure has now risen to 17%. Nevertheless, our survey still sees markedly higher confidence among this group of business leaders than has been seen in other recent surveys of business. We conclude that, as might be expected, large businesses have the resources (and the pressure of shareholder scrutiny) to create multiple contingency plans for alternative versions of Brexit – an approach we at FTI Consulting have been consistently advocating for all affected businesses given the continuing uncertainty of the political situation.

In our previous survey 84% of businesses said they would be making irreversible decisions by the end of September 2018. The recent survey shows that only 19% of businesses

have actually done so. 28% of French companies report they have already made irreversible changes vs 17% in the UK. Clearly many large businesses have put off critical decisions they expected to have already made by now. To do this we can only assume that they have had to build multiple options internally to deal with a range of possible outcomes.

In our own Brexit work during 2018 we found that many businesses believed that the transition period to December 2020 would give them much-needed time to make any necessary changes. Now with less than six months to go, 80% of UK business leaders confirm they have put in place contingency plans for a no-deal Brexit, with very similar levels of contingency being made by European firms (73% in France, 72% in Germany and 78% Spain).

Perhaps most worrying for the UK government and the wider UK economy are the numbers of large businesses who are planning to move teams or initiatives to the EU as a result of Brexit (58% of German firms vs 62% of UK firms and 67% of Spanish firms). Similarly, approximately 61% of all companies plan to move Research and Development (R&D) out of the UK to Europe.

With less than six months to go, and a critical European Council meeting looming, there is still a huge amount of uncertainty, and this is reflected in reduced confidence compared to our survey results from December 2017. Business leaders are preparing contingency measures for a no-deal, but still banking on a 'soft' Brexit.

I hope that you will find the survey results interesting. Please get in touch if you would like to discuss how we can help your business prepare for the Brexit challenges ahead.



John Maloney
Head of Brexit Taskforce

Executive Summary

Key findings include:

- **Timing:** Back in December 2017, 75% of firms expected clarity on the UK-EU relationship by June 2018. That deadline came and went. Now only 12% in the UK and 20% in Europe believe they have clarity, with 74% expecting they will now get clarity by February 2019
- **Decision making:** Previously 84% of respondents had said that they will make irreversible decisions by September 2018, but only 19% have done so. Now three-quarters (75%) of respondents said they will make irreversible decisions to manage Brexit by February 2019, which is when they now expect to have clarity on the outcome of negotiations
- **Expectation of 'soft' Brexit:** 58% of these large companies believe the UK will continue to have tariff-free access to the single market after Brexit (but this is down from 65% in December 2017), with that belief being 68% for UK firms (down from 75%)
- Despite this, 83% of businesses **expect to increase or maintain turnover** in the year following Brexit
- **No-deal plans:** 76% of businesses say they have a no-deal contingency plan prepared or in place
- **Impact on UK R&D:** 63% of UK firms and 61% of European ones said they planned to move R&D facilities from the UK to the EU as a result of Brexit, with UK financial services firms the most likely to move (76%)
- **Impact on UK jobs:** Two-thirds (69%) of respondents said they were concerned about job losses post-Brexit, with that figure rising to 80% for UK firms
- 79% of firms said they have established a dedicated **Brexit team**, with most saying they were 'fully' prepared for Brexit, but an important minority of 42% saying they were only 'partly' prepared

The findings from our survey indicate that large companies across the four biggest economies in the EU are, in the main, still expressing optimism about their growth prospects following Brexit. Significant majorities of those we surveyed are expecting their business to grow in the aftermath of the UK's exit but this confidence has reduced by 7% vs our December 2017 survey – we see similar patterns of reduced confidence in the future in terms of turnover, employee numbers and client/customer numbers. Given the fractious nature of the negotiations since December 2017, this isn't surprising. Confidence and resilience may well be based on an overly optimistic assessment about the outcome of the deal and with many still assuming there will be little impact on the movement of people and goods.

Since our last survey in December 2017, the confidence that clarity will emerge from the negotiations has significantly diminished. Our previous survey found that 75% of respondents expected to have clarity by June 2018 – a moment that is long behind us, without any clarity having emerged. Only a quarter of respondents now expect to receive clarity by the time of the EU Council session in October, badged as the moment when a political consensus needs to be reached on the Withdrawal Agreement and accompanying political statement on the future relationship. By the time we reach February 2019, 74% of firms now think they will have clarity on the negotiation outcomes. With only a month left until the UK leaves the EU, this leaves implementation plans to manage Brexit highly dependent on the transition agreement being ratified. In the light of such uncertainty it is heartening that a majority of those surveyed have put in place plans based on a no-deal exit of the UK from Europe.

Businesses also indicated that they feel less well-informed now than they did in December 2017.

In the UK, Germany and Spain, an average of just over 60% of respondents said they felt 'fully informed' overall about the impact of Brexit in December 2017, with that figure declining to 53% now. The outlier to this was French businesses, 67% of whom said they were 'fully informed' last year, which has now risen to 69%.

In terms of the outcome, in December 2017 we found that businesses were broadly expecting a 'soft' Brexit, with the UK retaining many of the fundamental aspects of EU membership. Now, we find this is still broadly the case, but with reduced confidence. For example, last year 63% of UK businesses expected to see freedom of movement for citizens maintained, whereas that figure is now 55%, with similar reductions in the other three countries surveyed. In addition, on tariff-free access to the single market, last year 75% of UK firms said they expected this to be maintained, but now this figure is 68%. Despite these declines in confidence, overall there are still a significant number of firms who, effectively, expect the status quo (a 'soft' Brexit) to be maintained in the future UK-EU relationship, particularly as it relates to free movement of people and jurisdiction of the European Courts of Justice (ECJ) over the UK. The fact that overall sentiment has dropped slightly shouldn't be surprising considering the way that both sides have firmed up their red lines in the negotiations. But it is concerning that over half of the respondents are making plans assuming that the UK would continue with free movement of people after Brexit, considering the UK government has made this a clear red line.

Perhaps because of this optimism that the status quo will broadly be maintained, most firms believed that their preparations for Brexit were in a good shape. Almost two-thirds (68%) of respondents said their company was prepared for Brexit, which is an identical figure to our survey last year.

This sense of preparedness is probably a result of the large number of firms who have established a dedicated Brexit team. 79% of respondents said that such a team was in place; with 59% of those saying that the team was 'fully' prepared. However, significant gaps remained, with 9% of respondents saying they intended

to set up a Brexit team, but hadn't yet done so. With critical milestones in the Brexit process now looming, those companies may need to begin preparations immediately and urgently to ensure they can manage any potential outcome.

We asked new questions of our respondents in this survey, and these have uncovered perhaps the most worrying findings for the UK. We find that huge numbers of firms are planning to move functions and people out of the UK as a result of Brexit. 63% of UK firms planned to move R&D facilities to the EU with 61% of European firms also planning to do the same thing. In addition, 62% of firms are planning to place new teams or initiatives in the EU rather than UK. 80% of UK businesses and 75% of Spanish businesses fear Brexit will result in job losses within their company, with businesses in France (57%) and Germany (66%) also fearful.

As with our last survey, this report is structured in three parts:

- What do businesses think will happen on Brexit?
- What will be the impact of Brexit?
- What are businesses doing to prepare for Brexit?

The findings will provide businesses, policymakers and parliamentarians with insight into how large companies are preparing themselves as we enter the last stages of the Brexit negotiation process. In less than six months' time, the UK will almost certainly be leaving the EU. Now is a critical time for all concerned to ensure that businesses are aware of the issues that could impact them and what they need to do to mitigate against the effects. With the outcome still far from certain, we hope this report can add to the policy debate and focus the minds of negotiators from both sides as they seek to secure a deal.

The following note applies to the graphs throughout the document marked with an asterisk:

* Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100.



What do businesses think will happen on Brexit?

With the deadline for reaching a deal between the UK and the EU fast approaching, we asked companies when they expected to have clarity on the outcome of negotiations, whether this would be a positive or negative for them, and what that deal might entail. The results show that a majority of businesses are maintaining a hopeful outlook about the process, with most still expecting a deal to be done and many believing that it will include many aspects of the current status quo. Nevertheless the level of confidence has waned compared to our previous survey in December 2017 by 7% across most measures.

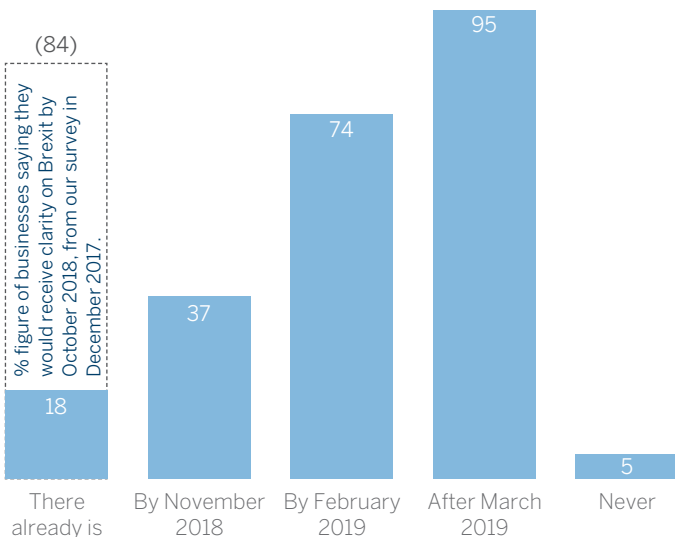
When will companies have clarity on Brexit?

Three-quarters (74%) of companies now say they expected to have clarity on Brexit by February 2019. Note 75% of respondents in our December 2017 study expected clarity by June 2018. Given that the timeline for ratifying the Withdrawal Agreement by both the UK and EU Parliaments is no longer clear, this is surprising. It implies that large companies are perhaps more confident than might be expected about a deal being secured before the UK leaves the EU in March 2019. What's more surprising is the 18% of companies who say there already is clarity on Brexit – although this figure is somewhat distorted by the responses from French companies. 32% of French firms said there already was clarity, whilst only 16% of Spanish firms, 12% of UK firms and 11% of German firms are saying the same.

5% of firms said that there will 'never' be any clarity on Brexit – more than double the figure from our survey in December (2%).

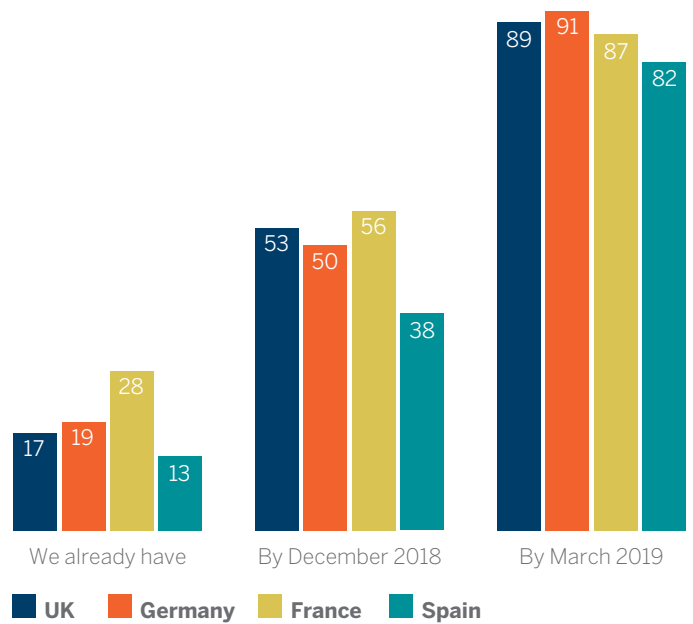
When we compare this to last year's results, we find that businesses were clearly hugely overestimating when they'd get clarity on Brexit. By October 2018, a massive 84% of businesses said they would have this clarity – now, just 18% of businesses say they already do. This represents an indictment for both sides of the negotiations; the fact that businesses now feel less confident in where we are heading than they did at the beginning of the year should be of concern to policymakers on both sides.

CHART 1: When do you expect there to be absolute clarity on the UK's membership with the EU in order for your company to respond appropriately? (cumulative figures in %; Base: All)



Companies also indicated that they would make irreversible decisions around this sort of timeframe. Across all four countries, 75% said that they would make these decisions before February 2019, which matches closely with when they expect to have clarity. This includes 19% of respondents who say they have already made these decisions. Again France is an outlier, with 28% of French firms saying they had already made irreversible decisions to manage Brexit, compared to 19% in Germany, 17% in the UK and just 13% in Spain.

CHART 2: When do you expect your company to make irreversible decisions on how to prepare for the UK to leave the EU? (cumulative figures in %)



These figures indicated that businesses have perhaps hedged against making irreversible decisions to manage Brexit during 2018 – being forced to create contingency measures against multiple scenarios. In December 2017, 89% of all respondents said they would make these decisions before October 2018, now 68% of all respondents are saying they will make decisions in the coming six months. As has been the case from the start of the Brexit process, businesses appear to have threatened to take these decisions, but then baulked at the idea of pushing their 'red button' contingency plans along the way. However, we are now approaching the end of the process for exit, and businesses may be left with no choice but to make these irrevocable decisions. In a scenario where a deal is agreed, it is likely that these irreversible decisions will be further delayed as negotiations enter a new phase on the future trade agreement. On the other hand, should a no-deal situation start to emerge, businesses may bring forward their contingency plans.



The UK looks most exposed, but it would be wrong to assume that European business isn't immune from the consequences of a no-deal scenario. Relative optimism in France contrasts with significant drops in Germany and Spain. A wait and see approach isn't an option anymore. While it's not too late for companies to influence what remains a fluid political process, preparation is now key. Companies will need help as they begin to adjust to the new commercial landscape

Hans Hack, Senior Managing Director, Financial Services

Is Brexit a positive or a negative?

Views about how positive Brexit will be for companies have changed since our last survey in December 2017. From the perspective of each country surveyed, the overall scores for whether it would be 'best' for the UK to leave the EU dropped. For example, in December 2017 51% of all firms said it would be best for the EU economy if the UK left; that figure is now 44%. Perhaps unsurprisingly, most of these results are driven by significant drops in scores from UK firms. Previously, 53% of UK firms said that leaving the EU would be best for the EU overall; this has now dropped to 41%.

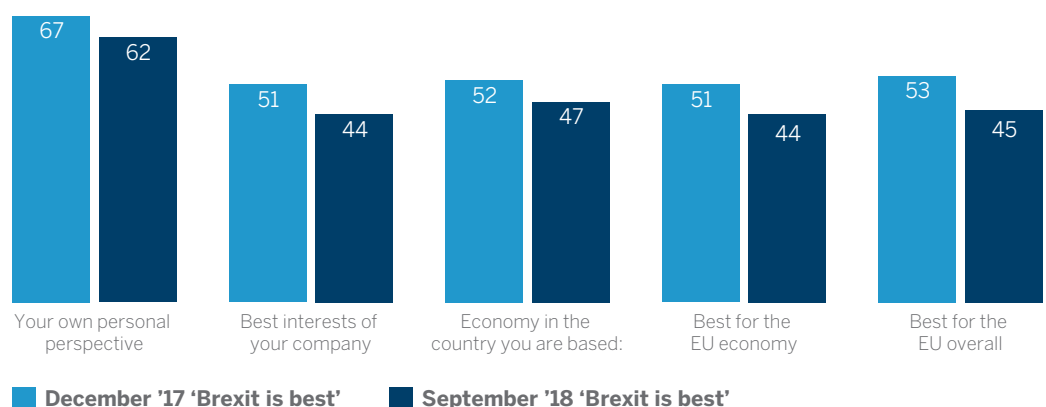
Net scores on questions about whether Brexit is in the best interests of the company, the economy that the company operates in, the EU economy and the EU overall are all now below 50% on average. The only exception to this across the four countries is France, where French firms are seemingly more optimistic about the impact of Brexit. 51% of French firms said that Brexit would be best for the EU overall, whereas 45% of Spanish, 42% of German and 41% of UK firms said the same.

However, it remains the case that, when asked about

their own personal perspective, a significant majority still believe that Brexit is 'best' overall. Those figures have dropped somewhat since December 2017, but not significantly. Last year, 67% of all respondents said the UK leaving the EU would be best – that has now dropped to 62%. This can partly be explained by the more dramatic drop in confidence from Spanish firms – two-thirds (66%) of whom said Brexit would be best from their personal perspective in December 2017, and this fell to 58% in September 2018.

As the realities of Brexit become clear, it appears that companies are starting to see the downsides to overall trade and economic cooperation, which are reflected in these downward trends. Nonetheless, it is still notable that more than two in five business leaders believe that Brexit is better than the UK remaining in the EU. Considering the fact that business representative bodies often cite the fact that large numbers of their members oppose Brexit, these results are surprising. This could partly be explained by the size of companies in our survey; it's possible that larger firms feel they are able to absorb any shocks and downsides to Brexit, and as a result see Brexit as only one of multiple issues to manage globally, whereas smaller less diversified firms will not share that view.

CHART 3: With regards to the following perspectives, do you think it would be best for the UK to leave the EU? Comparison between December 2017 and September 2018 results (figures in %; Base: All)



What will be the outcome of the Brexit negotiations?

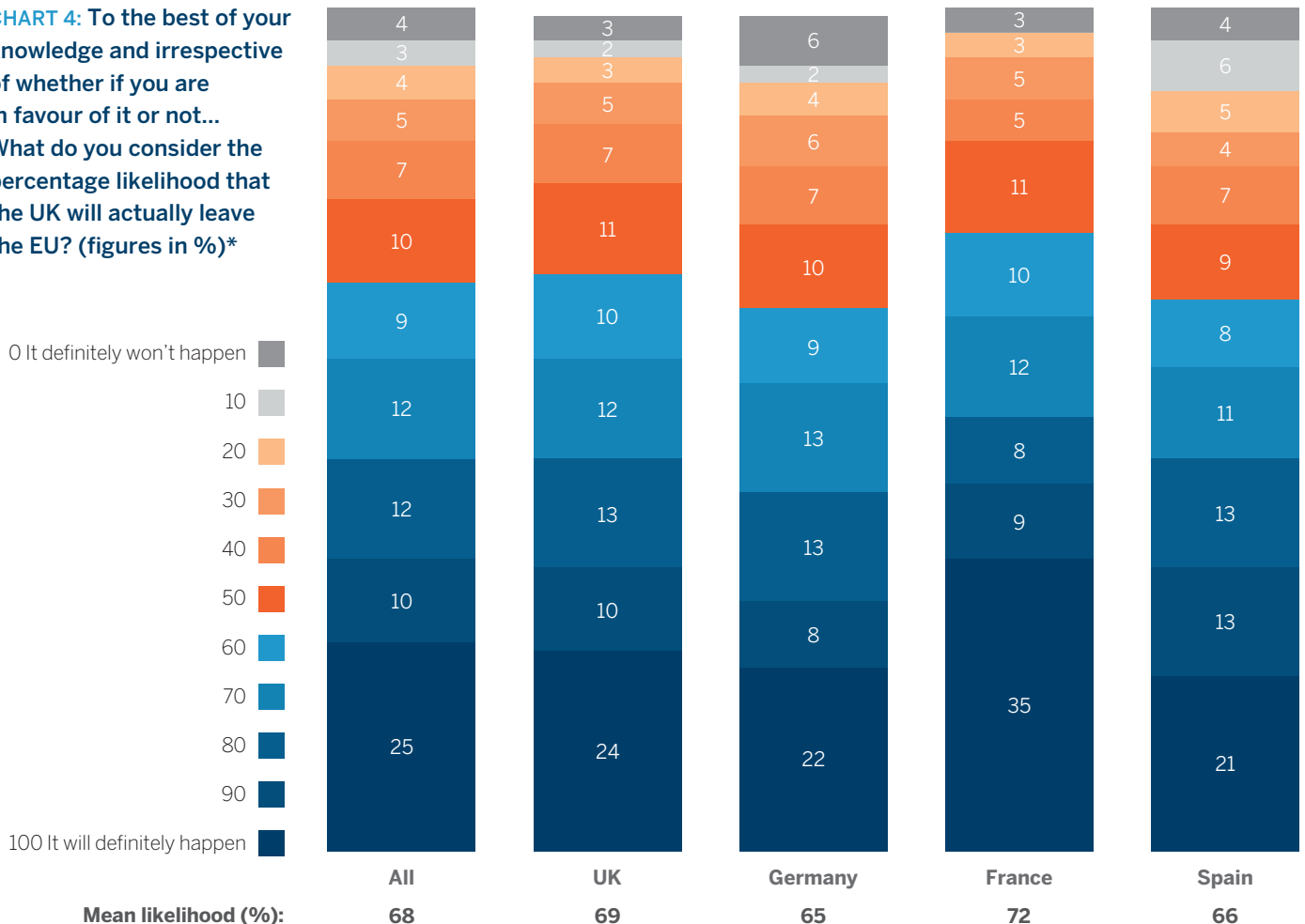
Firstly, 47% of respondents perceived there to be an 80-100% likelihood that Brexit will happen, with a quarter of companies saying it is absolutely certain. The perception of likelihood increases marginally in French firms, with 35% saying Brexit is 100% certain, against 24% of UK, 22% of German and 21% of Spanish firms saying the same. There were, however, some significant variances among the sectors. Over a third of Spanish manufacturing firms (34%), for example, gave the chances of Brexit happening less than 30%, whereas only 9% of British and French manufacturing firms gave the same percentage chance. French professional services firms were the most confident that Brexit will happen, with 3 in 10 saying it has a 100% chance of happening. This compares to only 18% of German professional services firms saying the same.

There are no significant changes to these figures compared to our previous survey in December 2017 – although there were marginally fewer respondents who gave the chances of Brexit happening at 100%, with a

small increase in the chances being between 80-90%. Secondly, firms were asked what they thought the deal between the UK and the EU would involve. More than half of respondents said that the UK would retain tariff-free access to the single market, free movement of EU citizens, and financial passporting. Slightly less than half (46%) said that the UK would continue with the jurisdiction of the ECJ post-Brexit. These figures are remarkably high given the clear and often stated intention of the UK government to end freedom of movement of people and the EU’s position that the UK cannot have financial passporting rights once it has left. Notably while 69% of UK firms said they expected to have tariff-free access to the single market post-Brexit, only an average of 55% from the other three countries said the same. Spanish firms tended to be marginally more pessimistic about what the deal would include compared to either French or German firms.

In every category the percentage of respondents who thought the UK would maintain these aspects of EU membership has decreased since December 2017. Last year, 65% of all firms said the UK would have tariff-free access to the single market, compared to 58% now.

CHART 4: To the best of your knowledge and irrespective of whether if you are in favour of it or not... What do you consider the percentage likelihood that the UK will actually leave the EU? (figures in %)*

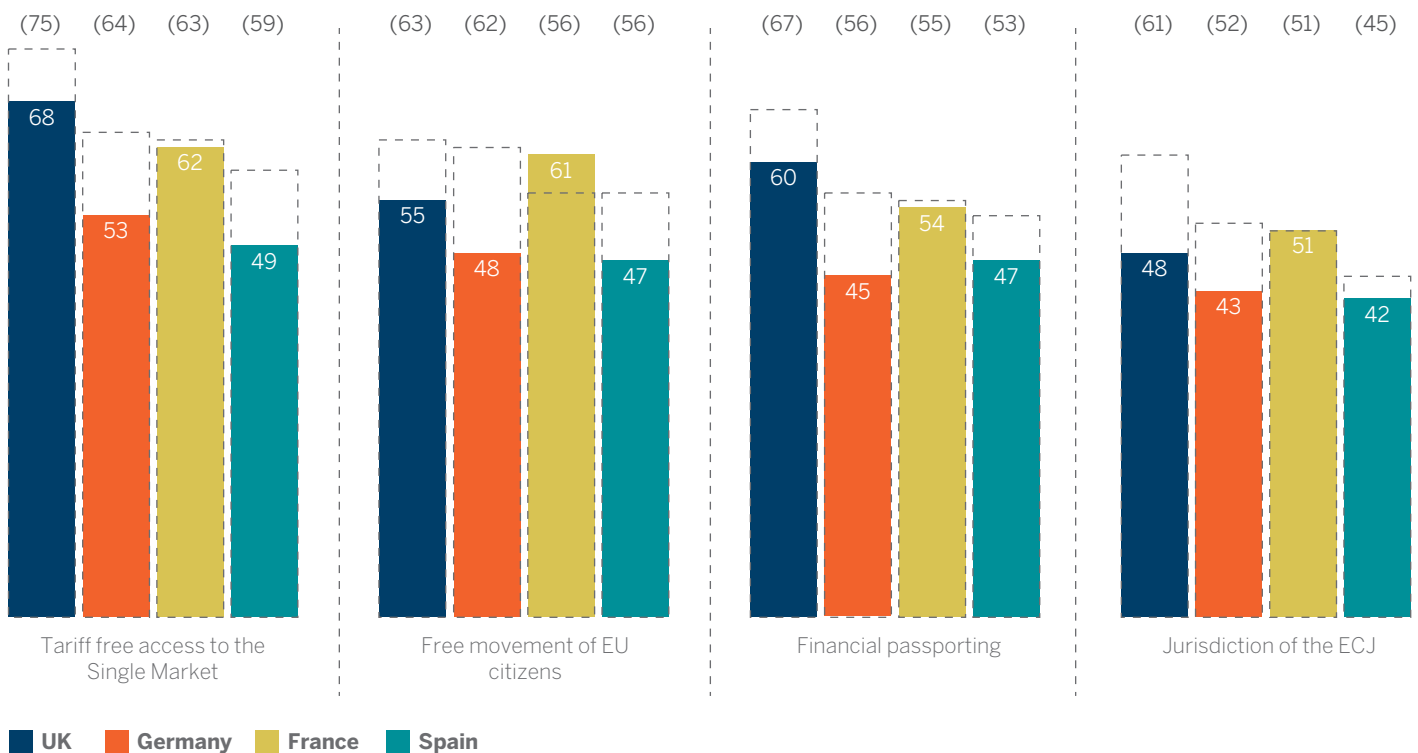


There were some minor exceptions to this downward trend. Last year, 47% of French financial services firms said the UK would maintain free movement of people. Now, this figure has remarkably increased to two-thirds (69%).

The overall reduction in expectations about what the UK would retain post-Brexit shouldn't be too surprising. Since last year, negotiations have been effectively at an

impasse on the nature of the future UK-EU relationship. This may be potentially explained by some businesses assuming a long transition period, should a deal be reached, or perhaps some businesses may believe that free movement of people will end but assume that the UK will maintain a fairly flexible system for EU nationals that won't require any new visa regime or other checks to be in place.

CHART 5: Which of the following do you consider the UK to have once it leaves the EU (i.e. Brexit)?
(figures in %; dotted lines represent December 2017 figures)



If there was a referendum on whether these business leaders wanted the UK to remain in the EU, the results would be an emphatic YES. However, it wasn't the case almost a year ago. Our research shows they appear to have moved from an emotionally driven response of "let's get it done" and are now highly concerned about the true implications for their businesses.

Dan Healy, Managing Director, Research



What will be the impact of Brexit?

Predicting the impact of Brexit with any certainty, whilst the outcome of the negotiations is still unclear, is challenging. We asked businesses to assess how they might be impacted in the year following the UK's exit from the EU across three key factors; turnover, employee numbers, and client/customer numbers. As with our last survey, the results showed significant resilience, especially from UK firms, where growth in these areas was still predicted. However, this optimism has diminished overall since December 2017.

What will be the impact of Brexit on turnover?

A large majority of the companies we surveyed are indicating that they expect to increase or maintain turnover in the year following the UK's departure from the EU, with 59% claiming they will increase turnover and 24% saying it would remain the same.

Remarkably, UK firms were most optimistic. 68% of all UK respondents said they expected to increase turnover, against 60% in France, 55% in Germany and 54% in Spain. By sector, manufacturing firms were least optimistic, with an average of 49% of respondents from this sector across all four countries predicting growth after Brexit, versus 60% for financial services and 62% for professional services firms.

Importantly, these figures have decreased since December 2017. Overall, 66% of firms expected some increase in turnover last year, with that figure now at 59%. Similarly, last year 12% of firms expected some sort of decrease in turnover – that figure has now risen to 17%. These figures can be largely explained by the significant drop in confidence among German firms (which may not be related to Brexit). The number of German firms saying turnover would decrease has risen from 9% in December 2017 to 18% in September 2018. Similar but less stark results were found in the other three countries as well, with the UK moving from 14% to 16%, France from 9% to 13% and Spain from 16% to 22%.

CHART 6: How do you think your company would be impacted in terms of turnover in the first 12 months of the UK formally leaving the EU? (figures in %)*

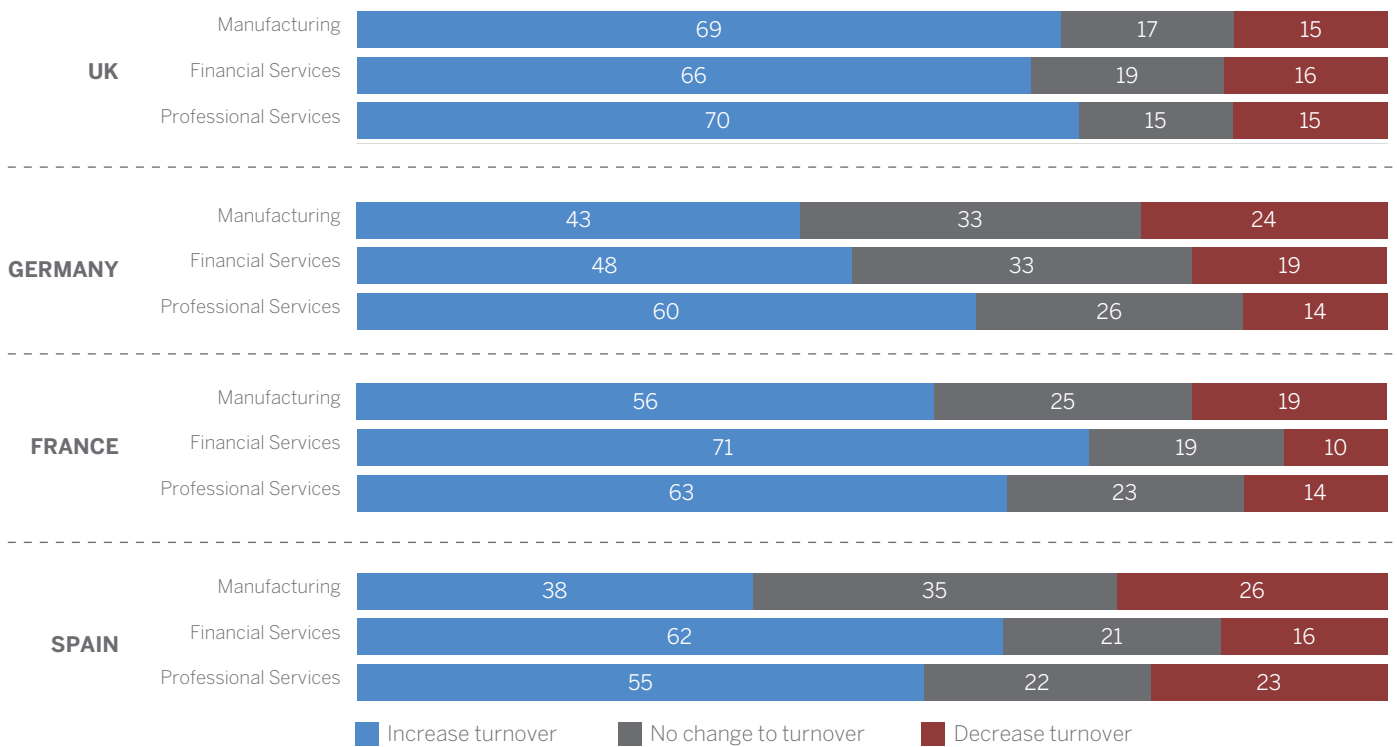
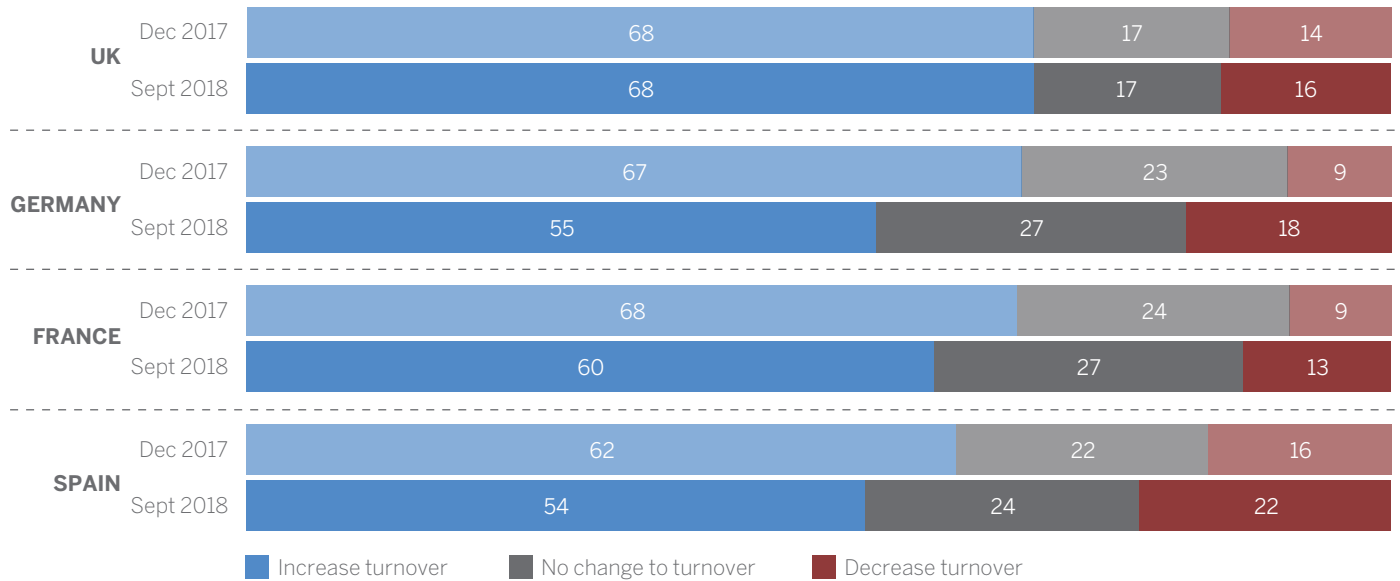


CHART 7: Comparison of anticipated turnover increases in the year following Brexit between December 2017 and September 2018 (figures in %)*



What will be the impact of Brexit on employees?

There's a similar story when it comes to the number of new employees companies expect to hire in the year following Brexit. Overall, 56% of firms across the four countries expect to increase employee numbers, and an additional 29% say there will be no change.

Of those saying there would be no change to employee numbers, UK firms did stand out. Only 19% of UK respondents said there would be no change to employee numbers, whereas 32% of German, 33% of French and 34% of Spanish firms said the same. This could potentially indicate that non-UK firms anticipate relative stability, whereas UK firms are gearing up to mitigate against the impact of Brexit.

In another question we asked about the impact *specifically from Brexit* on jobs, 80% of UK respondents agreed they feared job losses as a result of Brexit specifically, similarly 75% in Spain, 66% in Germany and 57% in France also fearing lost jobs.

So while only 17% of UK firms anticipated cutting staff *in the coming 12 months*, against 15% in Spain, 14% in Germany and 11% in France, a large percentage feared they would nevertheless have job losses eventually – perhaps reflecting the expectation of a benign 18-month transition period that puts off any job losses to beyond 2019.

CHART 8: How do you think your company would be impacted in terms of employee numbers in the first 12 months of the UK formally leaving the EU? (figures in %)*

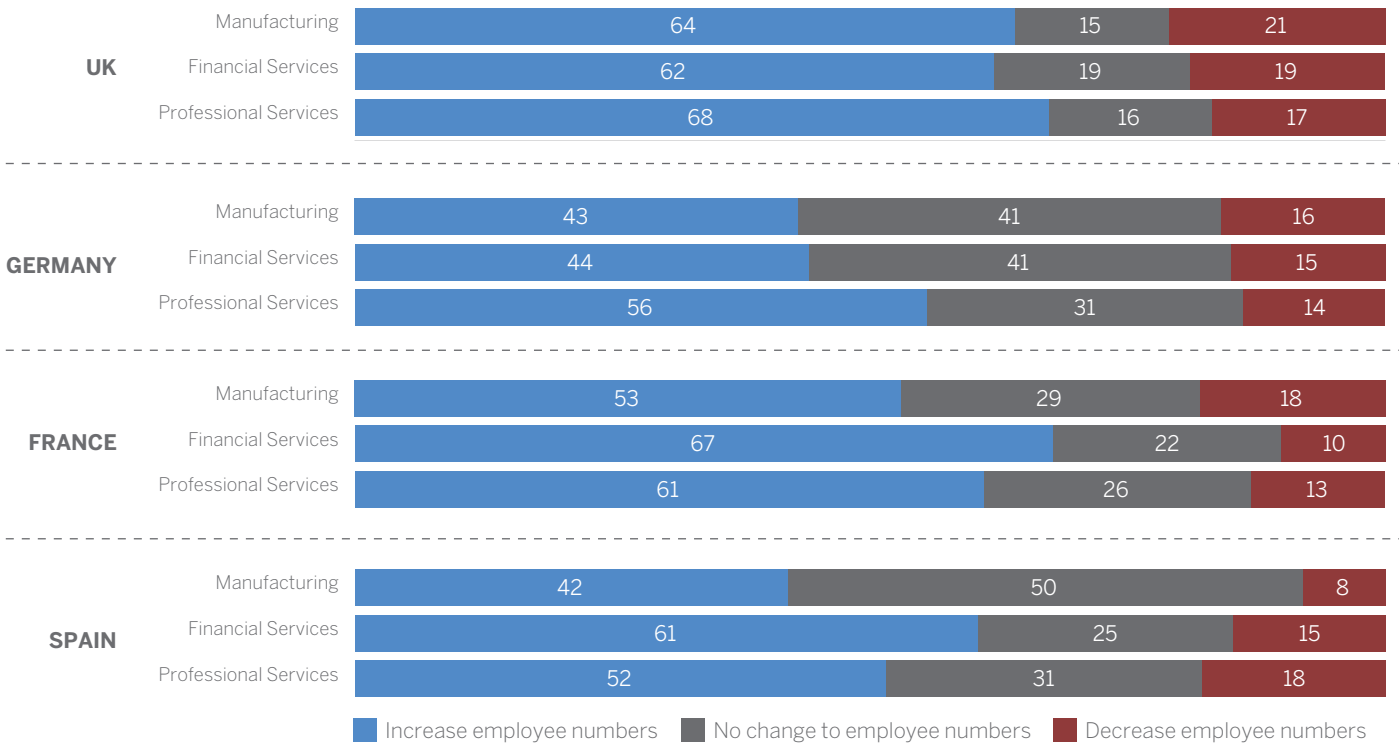
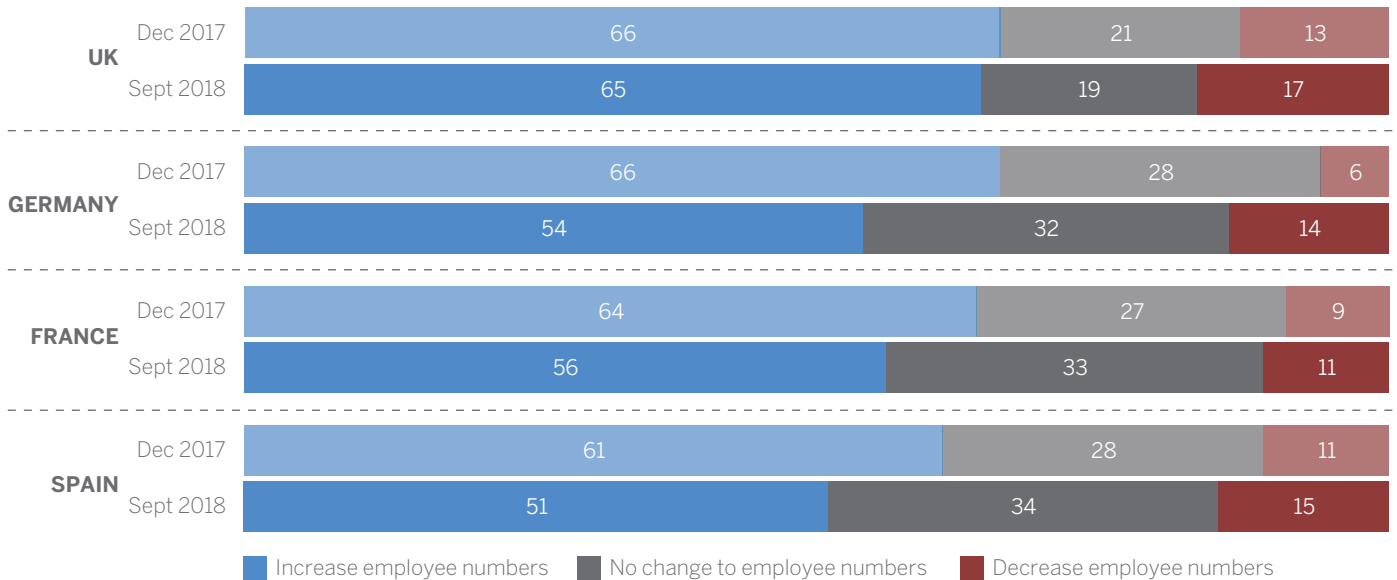


CHART 9: Comparison of anticipated employee number increases in the year following Brexit between December 2017 and September 2018 (figures in %)*



What will be the impact of Brexit on client/customer numbers?

When it comes to client/customer numbers post-Brexit, we see a starker picture. 58% of companies across all four countries said they expected to increase client/customer numbers in the year following the UK's departure. This was reduced vs our previous study, by far weaker numbers from Germany. Overall, 25% of German businesses said they expected to lose clients/customers next year, with Spain on 22%, the UK on 17% and France on 14%. This is in marked contrast to December 2017, when just 9% of German firms said they expected to lose clients/customers. German manufacturing firms were the most pessimistic by far. Last year, 61% of these firms said they expected to increase numbers of clients/customers, that figure plummeted to 40% now. Financial services and professional services in Germany also saw a reduction in figures, but at a far less severe rate. Those German financial services firms expecting to increase clients/customers fell from 75% to 53%, for example. Spanish manufacturing firms displayed similar results, with those claiming an increase in clients/customers dropping from 66% in 2017 to 42% now.

Figures for French and UK firms were far more robust.

For UK manufacturing firms, the net increase in client/customer numbers actually rose, from 58% in December 2017 to 70% now. The results demonstrate a greater resilience among the sector than many commentators have outlined. Other data might help explain these results. The UK's manufacturing sector has now grown for 26 consecutive months, according to analysts at HIS Markit and the Chartered Institute of Procurement & Supply¹. In addition, several large manufacturers in the UK have committed to ongoing operations and expanded their export markets to non-EU countries. For example, JCB – manufacturers of heavy equipment – saw turnover surge this year, rising £700m to £3.3bn, and the start of construction on a new £50m factory. In contrast, Germany saw its manufacturing figures decline significantly over the summer. Whilst still expanding, growth in the sector was at its weakest level since August 2016, with export sales falling for the first time in three years.²

1 IHS Markit / CIPS UK Manufacturing PMI®, "UK manufacturing growth improves at end of third quarter", 1 October 2018, found here.

2 IHS Markit / BME Germany Manufacturing PMI®, "Manufacturing PMI sinks to 25-month low as exports fall the most in over five years", 1 October 2018, found here.

CHART 10: How do you think your company would be impacted in terms of client numbers in the first 12 months of the UK formally leaving the EU? (figures in %)*

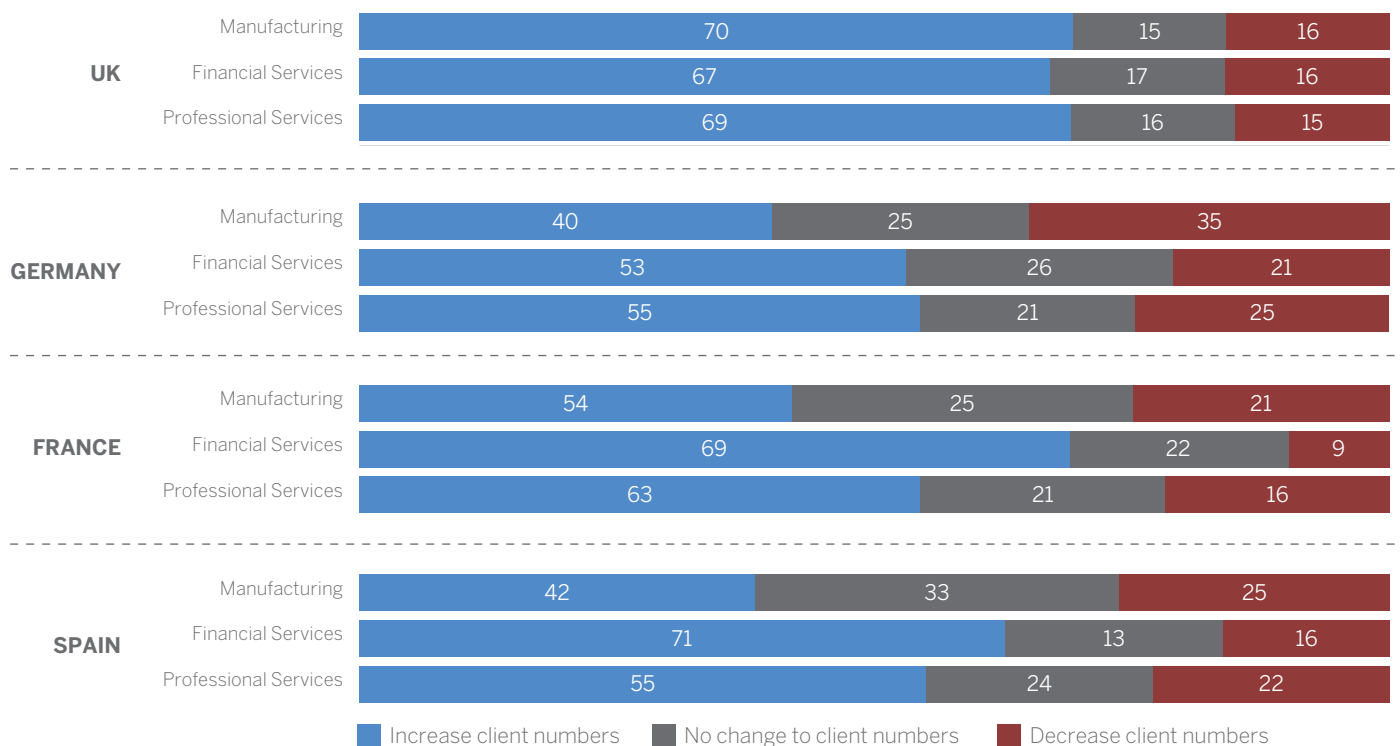
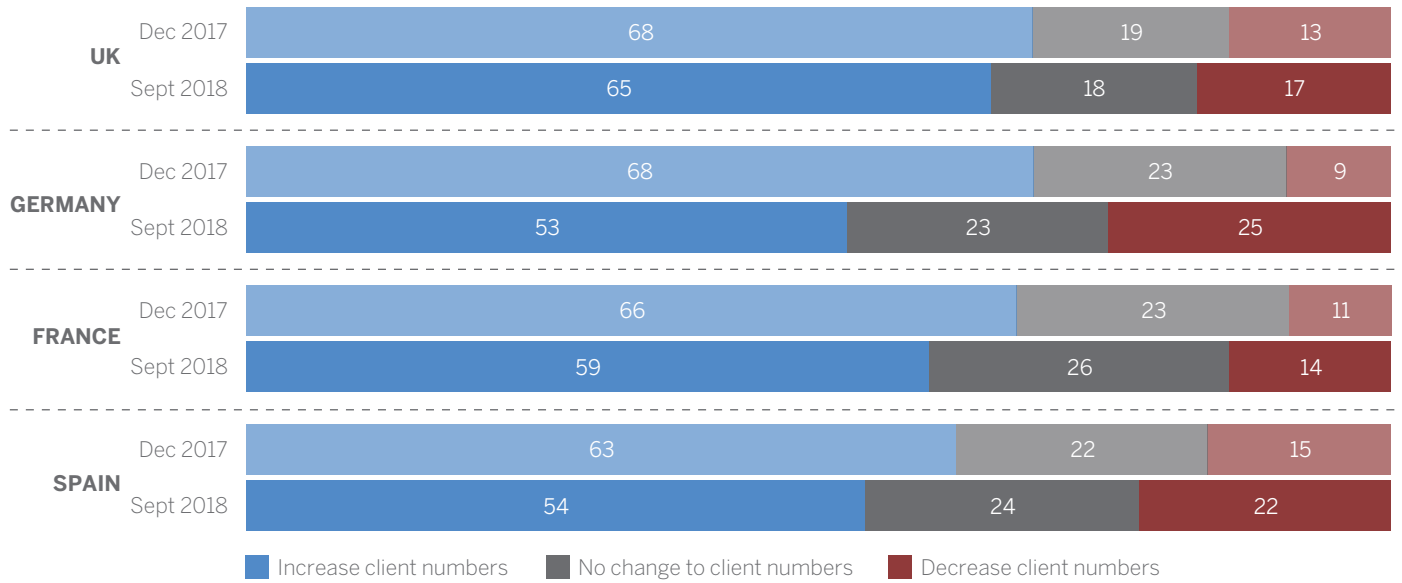


CHART 11: Comparison of anticipated client number increases in the year following Brexit between December 2017 and September 2018 (figures in %)*



Businesses now expect clarity by February 2018, but this is only one month before the Brexit deadline. This is not enough time, and delaying critical decision-making to this point can have severe financial and reputational implications and result in many missed opportunities. Between now and 29th March, businesses need to consider every alternative to protect their long term interests. Robust, flexible plans will separate the winners from the losers.

Meloria Meschi, Senior Managing Director, Economic Consulting

An hourglass is centered in the image, with the top bulb containing a faint European Union flag and the bottom bulb containing a faint United Kingdom flag. The background is a solid dark blue.

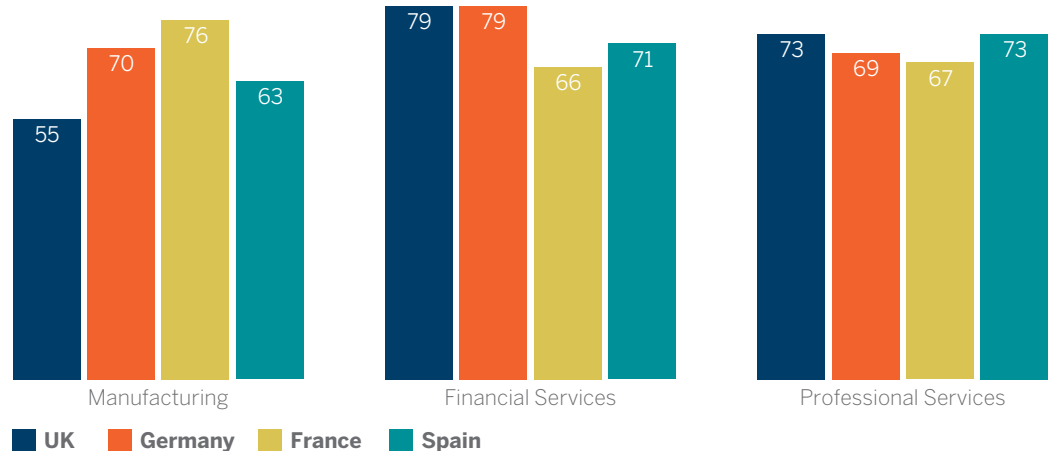
What are businesses doing to prepare for Brexit?

In a change to our last survey we also asked a series of questions to probe more specifically what actions business were planning in key areas like no-deal planning, customs, inventories, R&D and employee retention.

How prepared are businesses for Brexit?

When asked how prepared they felt their business was to manage Brexit, 68% of respondents said they were prepared, which was evenly spread across the four countries. In terms of sectors, financial services firms were more likely to say they were prepared than either manufacturing or professional services firms. On average, 74% of financial services firms said they were prepared for Brexit, compared to 70% of professional services and 66% of manufacturing. On the latter, UK manufacturing firms were least prepared overall – 55% said they were, compared to 63% in Spain, 70% in Germany and 76% in France.

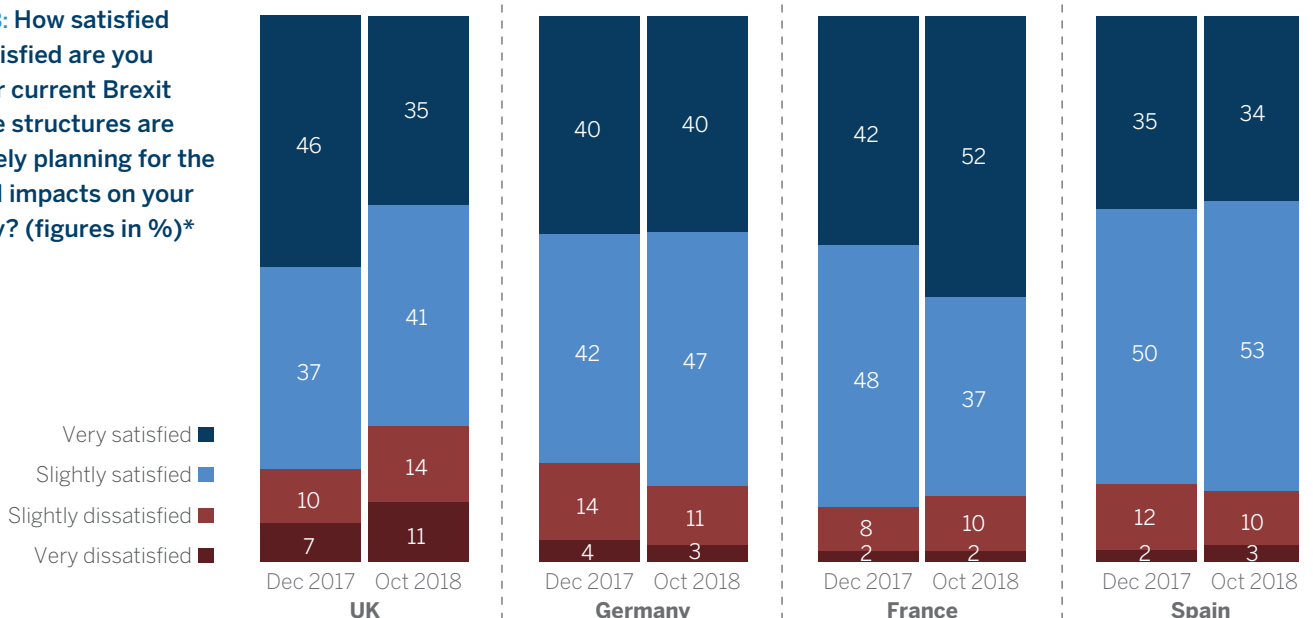
CHART 12: How prepared do you consider your company is for the impact of Brexit? (figures in % answering 'prepared')



Comparing these figures to our December 2017 survey, there is generally an uptick in preparedness levels. For example, we can see that financial services firms are generally more prepared, with the exception being in France where 72% of respondents said they were prepared last year, compared to 66% now. However, one of the major exceptions to this is UK manufacturing firms. Last year, 66% said they were prepared, which has fallen to 55% now.

To test this level of preparedness, we asked firms how satisfied they were that their internal Brexit structures were adequately managing the issues. As with last year, a remarkably high 84% said they were either 'slightly' or 'very' satisfied. However, the major discrepancy came in the UK. Last year, 46% of UK respondents said they were 'very' satisfied with their Brexit response structures; that figure fell to 35% this year, with the major drops coming in financial services (moving from 49% to 26% 'very' satisfied) and professional services (moving from 46% to 29% 'very' satisfied). All other countries posted stable or increased figures in this metric.

CHART 13: How satisfied or dissatisfied are you that your current Brexit response structures are adequately planning for the potential impacts on your company? (figures in %)*



What are businesses doing to prepare for Brexit?

To assess what businesses were practically doing to prepare for Brexit, we asked firms whether they were undertaking any of the following activities:

- Policy analysis to understand the regulatory implications of Brexit
- Internal company restructuring, including moving staff or offices
- Financial implications for your business, including tax
- Product or services analysis to understand implications for supply chains
- Engagement planning to influence policy makers

Overall, these figures remained fairly robust. On average 80% of respondents said they were conducting these activities 'well'. However, these figures were marginally

lower compared to last year. For example, 81% of UK firms said that they were assessing the financial implications of Brexit 'well', which has now dropped to 76%. Generally speaking, these changes were small – but it is still significant that companies are seemingly *less* confident about their preparedness in these critical areas compared to last year.

And, as with last year, financial services firms tended to say they were preparing 'well' more frequently than their counterparts in either manufacturing or professional services. For example, 85% of financial services firms said they were assessing their internal company structures 'well', compared to 81% of professional services firms and 80% of manufacturing firms.

CHART 14: How well is your company undertaking the following as a consequence of the UK leaving the UK? (figures in % answering 'well'; dotted lines represent December 2017 figures)



Specific actions and plans being taken by companies

We asked a series of new questions to probe more specifically what actions businesses were planning in key areas like no-deal planning, customs, inventories, R&D and employee retention.

Do businesses have contingency plans in place to manage a no-deal scenario? Over three-quarters (76%) said they did, with the UK topping those figures at 80%, with Spain on 78%, France on 73% and Germany on 72%. Financial services firms were marginally more likely to have a contingency plan in place, at an average of 81%, compared to 79% for professional services firms and 72% for manufacturing firms.

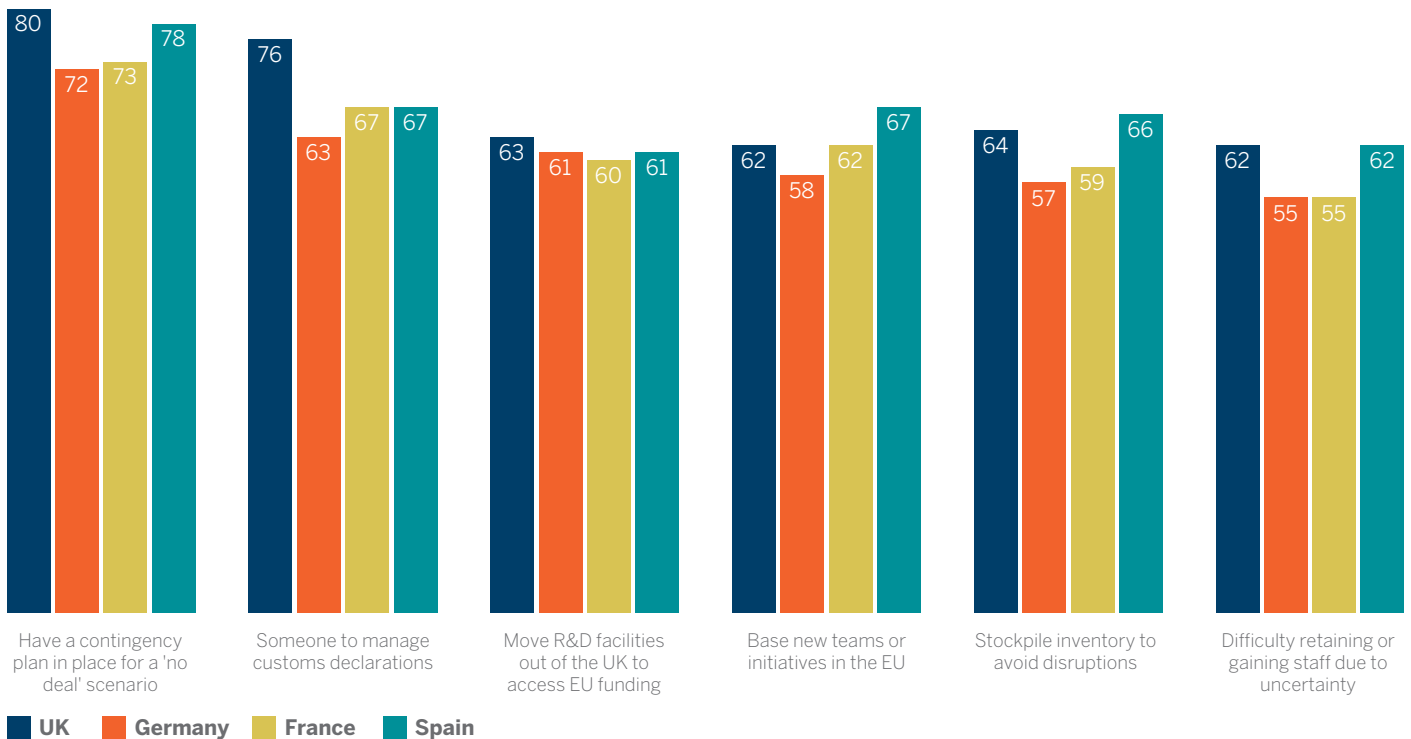
In response to the expectation of Brexit, 68% of all firms said they had added staff to manage customs declarations, with the UK again topping those figures at 76%. A further 61% of all firms said they were stockpiling inventory to avoid disruption at borders, with Spanish firms this time topping the figures, at 66%,

with the UK just behind on 64%, France on 59% and Germany on 57%.

58% of all firms said they would face difficulties in retaining or gaining new staff due to the uncertainty, topped by financial services firms at 65%, compared to 61% for professional services and 50% for manufacturing firms.

However, the most worrying findings for the UK economy came when we asked about businesses intentions regarding moving functions or people out of the UK. 63% of UK firms said they planned to move R&D facilities to the Continent due to Brexit, with UK financial services firms the most likely at 76%. Similar, though slightly lower, figures were found across French, German and Spanish firms operating in the UK. Moreover, 62% of all firms said they planned to base new teams or initiatives in the EU post-Brexit.

CHART 15: Have or are you planning any of the following as a direct result of the expected scenario of the UK leaving the EU? (figures in % answering affirmatively)



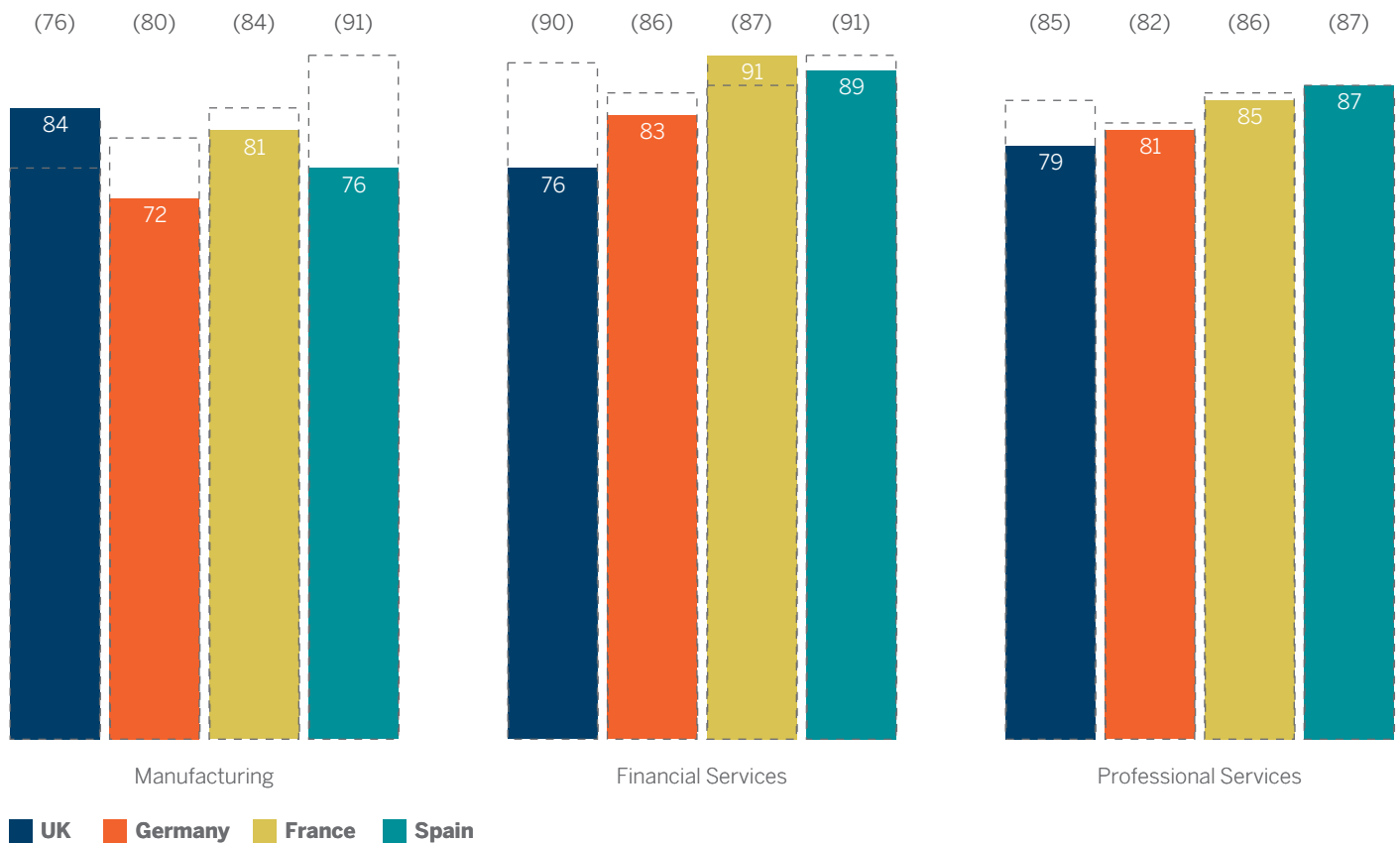
What internal company structures have been established to manage Brexit?

The vast majority of firms we surveyed said they had established a specific Brexit team to manage the issues involved. 79% of all firms said they had a team in place, with the UK and Spain being slightly more likely to have one, at 83% and 82%, respectively, compared to Germany (76%) and France (77%). Of those, 59% said that the teams were 'fully' prepared, with the remaining 41% saying they were only 'partly' prepared. Interestingly, around 9% of all firms said that they

didn't have a Brexit team at present but intended to in the future – a surprisingly high figure given how close negotiations are to being completed.

Compared to last year, these figures are fairly similar – although there are some notable declines in those saying they have a team and that they are 'fully' prepared. For example, 57% of UK financial services firms said that their teams were 'fully' prepared in December 2017, whereas now only 41% say they are.

CHART 16: Do you have a Brexit team/taskforce/unit to help your company to prepare for Brexit? Comparing figures between December 2017 and September 2018 figures in % those answered 'yes – and fully prepared' and 'yes – but only partly prepared' (figures in %; dotted lines represent December 2017 figures)

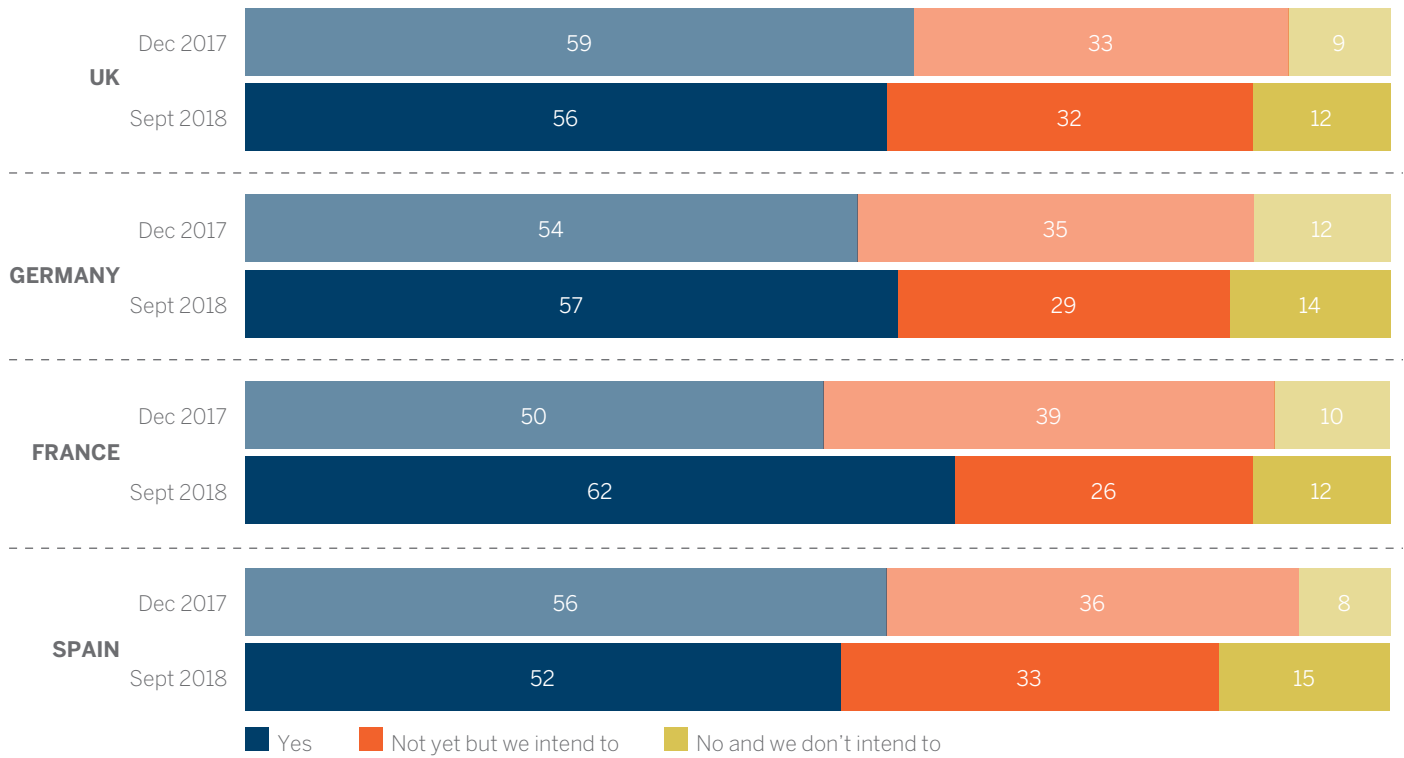


What external sources are businesses using?

Supplementing the work of these Brexit teams are consultancy services and trade associations. Over half of all companies surveyed said they had or are using consultancy services, which was fairly evenly spread across the countries (UK – 56%; Germany – 57%; France – 62%; Spain – 52%). Financial services firms were most likely to use consultancy services, at an average across the four countries of 66%, whilst 61%

of professional services firms said the same and only 48% of manufacturing firms agreed. In addition, 30% of respondents said that they intended to use consultancy services but hadn't yet done so. As with the number of respondents who said they intended to establish a Brexit team, this is a surprisingly high number given where we are in the negotiation process and with less than six months to go until the UK leaves the EU.

CHART 17: Is your organisation using external consultants to supplement the work of your Brexit team? Comparing responses from December 2017 to September 2018 (figures in %)*

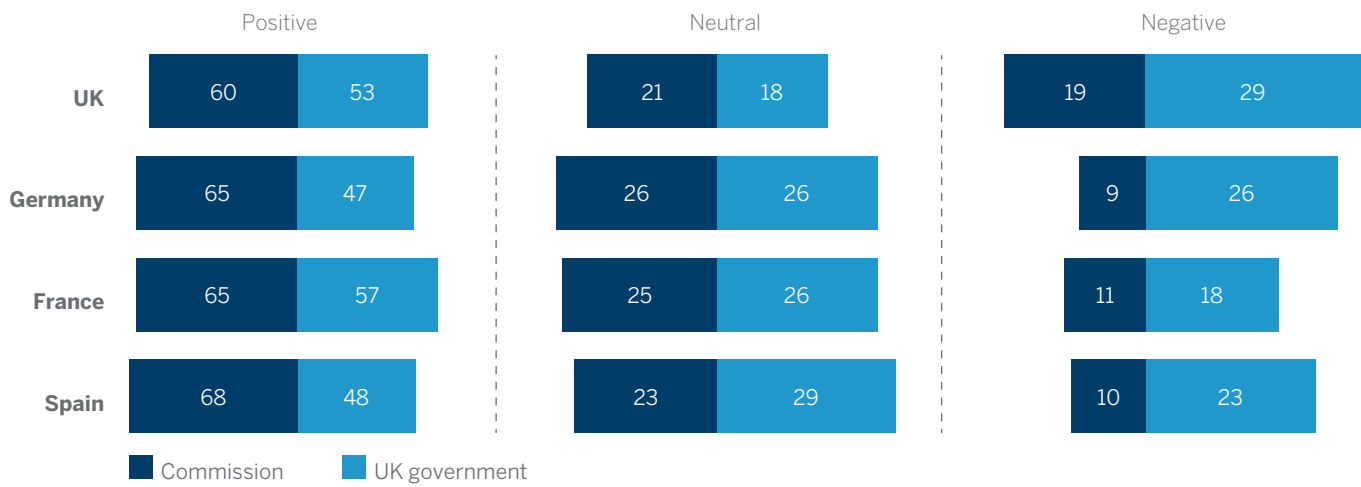


Similar but marginally lower figures were found when asking companies if they are using their trade associations for additional advice or resource. Overall across the four countries we surveyed, 52% said they were. The main difference here was that UK manufacturing firms were most likely to use trade association services, at 65%, whilst the figures for manufacturing firms in other countries was significantly lower, at an average of 40%.

We also asked businesses what they thought about the information they are receiving from official sources in the negotiations, namely the European Commission and the governments in Member States. 74% of all respondents said they had received communications from the Commission, rising to 77% in the UK. Interestingly, though, only 69% of those who had received a communication from the Commission on Brexit had acted on the information. Slightly behind the

Commission were member state government. 72% of all respondents said they had received communication from their 'home' government, with UK firms most likely to have received communication at 79%, compared to 72% in Germany, and 68% in both France and Spain. With large majorities of businesses having received some form of communication from the negotiating parties, we then asked how firms rated their role in the negotiations so far. 64% of all firms gave a positive rating to the EU Commission, compared to 51% for the UK government. Perhaps unsurprisingly, UK firms rated the Commission the lowest of the four countries, with 19% giving their performance a negative rating, compared to an average of 10% for the other three countries. Spanish firms rated the Commission the highest, especially in financial services, where 80% of respondents gave the Commission a positive assessment.

CHART 18: How would you rate the following with regards to their role in Brexit negotiations?
 (comparing figures between Commission and UK government in %)



As March approaches, businesses appear to stepping up their preparations for Brexit – whether hard, soft or something in between. Brexit poses significant challenges for business; from cross-border trade and customs policy to freedom of movement of people. Internally, businesses have approached their preparations in very different ways – some have large, dedicated teams while others have adopted a more ad hoc approach. One thing is for sure: as the negotiations near their end, businesses are increasingly demanding more detail and clarity about the future of UK-EU relations.

Dan Hamilton, Managing Director, Public Affairs, UK

Meet our Experts

FTI Consulting can help your business with your Brexit objectives:

- A dedicated Brexit Taskforce with unique cross-sector expertise and extensive experience of working on complex challenges
- Broader business advisory functions enabling us to identify solutions and best position your business for potential change, to mitigate any risks and identify the opportunities
- Dedicated teams in both London and Brussels supported by an extensive network of offices around Europe and in all major business centres across the world

To continue the discussion around Brexit and what it means for your business, or to speak to us about any of the issues raised in this survey, please contact our team of experts below or email **FTIBrexitTaskforceEMEA@fticonsulting.com**



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Methodology

This research was conducted in two waves by FTI Consulting's Strategy Consulting & Research team with senior decision makers in large corporates across the United Kingdom, Germany, France and Spain. The results were weighted by industry in each country to ensure results are comparable.

Wave 1: 4th – 19th December 2017, involving n=2,568

Wave 2: 17th – 30th September 2018, involving n=2,087

The country-specific breakdown is as follows:

- United Kingdom: Wave 2: n= 518 (Wave 1: n=642)
- Germany: Wave 2: n= 512 (Wave 1: n=632)
- France: Wave 2: n= 512 (Wave 1: n=646)
- Spain: Wave 2: n= 545 (Wave 1: n=648)

The following note applies to the graphs throughout the document marked with an asterisk:

* Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100.

Further information on the results and methodology can be obtained by emailing dan.healy@fticonsulting.com



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