

Equity Incentives: News from Capital Strategies on share-based rewards

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UK Employee Ownership Index

In the final quarter of 1999, the UK Employee Ownership Index's performance was startling, with a rise during the three months from October to December of 48%. This was in comparison to the FTSE indices, which had a respectable final quarter, all increasing by between 15% and 16%.

The UK Employee Ownership Index™ monitors the share price performance of UK quoted companies with significant employee share ownership, against the main market indices since 1992, and it has consistently and significantly outperformed the main market.

In real terms, if you had invested £100 in the EOI in 1992, your investment would now be worth nearly £700. A similar investment in the FTSE 100 Index would be worth £248.

We do not claim a direct causal link between employee ownership and strong share performance. But at least one company in the Index is quite clear about the effects of employee share ownership on its performance. F.I.GROUP plc states in its latest annual report that *"A significant contributing factor to our continued success is the motivation our workforce feels by owning a share of the Company"*.

A similar index has recently been developed in France. The new Indice de l'Actionariat Salarié (IAS) was launched by Associés en Finance, a French corporate finance house, in October 1999. The index, weighted by market capitalisation, tracks the performance of 29 French companies where at least 3% of the equity is held by employees, and where at least 25% of the employees hold shares in the company. Between 1991 and September 1999, the IAS increased by 269%, in comparison to a 200% rise for the two main generic indices (CAC40 and SBF250). For more information, visit <http://www.associes-finance.com/ias.htm> or email francis.bacon@bull.net.

You can follow the EOI's performance since its launch by visiting our website:
<http://www.capitalstrategies.co.uk/rewards/ukindex.htm>.

Qualifying for inclusion in the Index

If 10% or more of your company's share equity is held by, or on behalf of, employees (*not* directors), you qualify for inclusion in the index.

If you want to be included, please contact Sarah Anderson on 0171 256 8000 or by email: sarah.anderson@capitalstrategies.co.uk.

If you want to find out more about using share schemes to incentivise your employees, contact Robert Postlethwaite on (+44) (0) 171 256 8000 or rp@capitalstrategies.co.uk

For more information about Capital Strategies please visit our website www.capitalstrategies.co.uk.

This document is intended as a general guide on complex subjects. It is not intended as a comprehensive review. It should not be relied upon as a substitute for advice in a particular circumstance.

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Incorporates the equity incentives businesses of **FIELD FISHER WATERHOUSE** and **CAPITAL<STRATEGIES**.

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A list of the names of the directors and their professional qualifications is open to inspection at the registered office.