

EMPLOYEE
CO-OWNERSHIP
by FEMTON Stiftelse

CONCEPT
DESIGN
GOVERNANCE



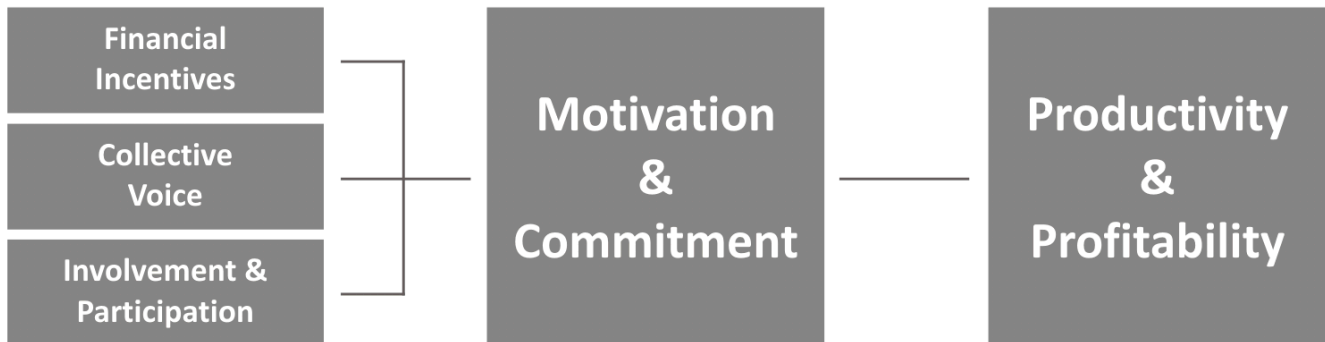
Employee co-ownership: the concept and advantages

Employee co-ownership is the model in which the share capital of a business is partly owned by its workforce either through:

- *direct (individual) share ownership*
- *shares held in foundation on behalf of and for the benefit of employees*

The popularity of employee co-ownership is based on the growing evidence of its benefits and are characterised by their *higher productivity, greater levels of innovation essential impact on organizational performance and individual wellbeing*

Effects, Impact & Outcomes:



Employee co-ownership is a proven and most prominent alternative ownership model

Employee co-ownership: reasons and benefits

for Founder or Major Shareholder

- *Greater entrepreneurship, innovation, talent attraction and retention*
- *Employee co-ownership is a way to preserve the integrity and continuity of the business, a good way to prevent a takeover*
- *Employee buy-out is one of the main business succession options for company owner*
- *Employee buy-outs tend to have a better record of sustainability*
- *A durable solution in case of handing over the family business to the next generation, acknowledging the contribution of employees*

for Employees

- *Ownership with people who know the business and helped to build it up*
- *Owning company makes employee less likely to quit, more committed to work, more motivated and involved*
- *Higher levels of job satisfaction, feel a greater sense of achievement and increased wealth*
- *Improved job security*
- *Employee co-owned business tend to be better place to work*

*Sustainable business performance
and improved customer confidence*

Employee co-ownership: different models

Direct (individual) co-ownership

- Each employee becomes an individual shareholder, personally holding a specified number of shares

Indirect (fiduciary) co-ownership

- Shares are held collectively on behalf of employees in a foundation, which must manage the shares in the best interests of the employees

Hybrid co-ownership

- Combines ownership of a strategic block of shares in a foundation with individual share ownership

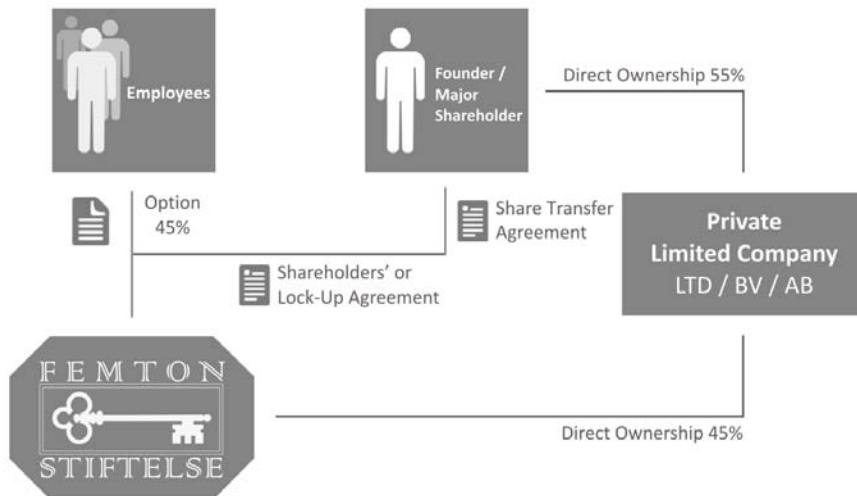
Indirect (fiduciary) co-ownership: how it works?

- Founder or major shareholder (seller) transfer shares to foundation
- Company profits are paid to foundation and then used to finance payments to seller. As an option, this may be over a period of time after the foundation's purchase and the seller is not paid in full immediately
- Foundation holds shares for the benefit of employees
- Employees hold the option to buy or receive their shares
- In case employee exercise the option, foundation transfers shares to employees

Foundation as fiduciary ownership vehicle: case study



- *In order to bring the spirit of entrepreneurship and innovation, the owner decides to sell shares to employees, acknowledging their contribution to the company*



- *Consider how many shares should be transferred to employees*
- *Engage FEMTON Stiftelse as fiduciary ownership vehicle*
- *FEMTON Stiftelse purchase shares from the founder / major shareholder and issue the call options for employees*
- *Employees are entitled to receive income from their shares through FEMTON Stiftelse and have a right to receive shares at any convenient time by exercising the call option*

Employee co-ownership: conclusion

- Employee co-ownership:
 - ✓ *is an incredibly effective ownership model*
 - ✓ *is an established business model that works around the world*
 - ✓ *has been shown to boost profitability, productivity, job security and employee wellbeing*
 - ✓ *is making a vital contribution to economic growth in challenging economic times*
 - ✓ *is a model that works across a whole range of sectors and at any stage in the life of a business from start up to mature businesses seeking a viable succession route.*

- Employee co-owned businesses are at the forefront of innovation

- Employee co-ownership can be implemented easily and can be readily tailored to the circumstances of an individual organisation

- Employee co-ownership is a better form of business

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