

Ownership and EU Inc.

FINEXUS · IED

April 2026

We are advocating for the inclusion of two proven ownership forms in the 28th regime, supported by the European Parliament's INL-report, to prevent the loss of productive assets in the EU.

1. The problem

The EU's economy suffers from a lack of facilities for innovative entrepreneurs. However, an underexposed issue is the economic damage caused by succession problems facing our retiring entrepreneurs. With the baby boomer generation of SME owners reaching retirement age, **business transfers will be peaking** across the EU in the coming decade. Throughout member states, data already shows that **a third of the yearly 450.000 business transfers in the EU fail, wiping 600.000 jobs away per annum** (EuroChambres, 2025). A lack of viable succession options leaves the door open to financial acquisitions, and the result is a wave of businesses being bought by US private equity firms. The results are substantial job losses and assets leaks from local communities to non-EU states. This significantly damages local economic ecosystems and the EU economy as a whole, ultimately creating a cross-border problem that member states cannot tackle individually due to displacement effects.

2. A European solution

In response to this, we propose the introduction of two new business transfer options for these exiting owners, namely **steward ownership and Employee Stock Ownership Plans (ESOPs)**. These concepts are relatively simple to integrate into the 28th regime and are complementary to the current proposal, including its employee share options (ESOs). The inclusion of these concepts in the JURI committee's INL-report on the 28th regime, supported by a coalition ranging from the Greens to the ECR, means they are also politically feasible. Amendments to include these ownership forms in the 28th regime are available upon request.

3. ESOPs: Proven and scalable

ESOPs (or Employee Ownership Trust (EOT) as they are referred to in other countries) are a proven model that have existed for decades in the US and UK and have **recently been intro-**

duced in Slovenia, Denmark and Canada. A special purpose vehicle (the type of which depends on the country and legal structures available) acquires the business on behalf of the employees using a loan repaid from the company's own future cash flows, at no personal cost to them. This means **employees gain ownership through their work**, not through personal capital investment, and remain the beneficiaries for the duration of their employment. Contrary to management buyouts, the company is owned by all employees who voluntarily opt-in, at no financial risk to themselves. Meanwhile, governance representation is often led by a trustee, which is bound by the fiduciary duty to act in the long-term interest of the company. This means ESOP-owned companies can remain agile and not averse to necessary restructuring.

A leading European example is the UK's John Lewis Partnership (owner of Waitrose), an Employee Ownership Trust (EOT) in which over 80,000 employee "partners" collectively own the business and share in its profits.¹

Research on ESOPs show clear proof of its benefits to employees and the economy:

- ESOP-owned companies were **44% less likely to see their profits decline** during the period in which the Covid-19 pandemic occurred (EOA, 2023), and in the UK and the US their employees were respectively five to six times less likely to be fired during this period (Employee Ownership Association, 2023; ESCA, 2021). In general, ESOP-owned companies are approximately 50% less likely to lay off employees during recessions (Harvard Business School, 2021; Kurtulus & Kruse, 2017).
- The 14 million ESOP employees in the US own approximately **twice as much retirement capital** as comparable non-ESOP workers (Mazewski, 2023) and earn 5% to 12% higher wages than non-ESOP peers (Kardas et al., 1998).
- During the 2008 financial crisis, **revenues at ESOP companies grew 15.1%** while overall private-sector revenues fell 3.4% (Swagel & Carroll, 2010).
- In the UK, employee-owned businesses invest **12% more in on-the-job training** and skills (Employee Ownership Association, 2023), and ESOP-owned companies are 50% more likely to receive additional workplace training (Blasi & Kruse, 2025), and their voluntary quit rates are roughly a third of the US national average (NCEO, 2024).
- Employee-owned businesses in the US grow approximately **2.4% per year faster** in sales, employment, and productivity than similar non-ESOP companies (Kruse, Blasi & Park, 2010).
- Personnel at employee-owned businesses in the UK are on average **8% to 12% more productive** than their peers at traditionally owned businesses, based on Gross Value Added (GVA) (Employee Ownership Association, 2023).

From these statistics we can conclude that **ESOPs adequately compete with traditionally owned companies**. Although they are not immune to recessions, they are better able to withstand

them, improving the EU economy's resilience. Because they don't answer to external shareholders, these businesses are able to take a long-term view and develop strategy in genuine partnership with their workforce.

¹ Also see this concrete example in The Times about a successful entrepreneur who sold his sizable company to an EOT last year.

4. Steward Ownership: Long-term competitiveness

Steward ownership **already exists in some EU member states** in the form of large industrial players such as Novo Nordisk, Carl Zeiss AG, Maersk, Bosch, Rolex, Puig and even Ikea. These companies are either fully owned and governed by a foundation, or a combination of majority-ownership by one or more foundations and minority (public) shareholders. It enables these companies to **fully reinvest profits back into the company**, and plan strategically for the long-term without pressure from short-term shareholders. This, for example, enables long R&D-cycles enabling innovations such as Novo Nordisk's semaglutide (also known as Ozempic), Carl Zeiss's EUV lithography optics (essential for manufacturing the world's most advanced semiconductor chips), and Bosch's anti-lock braking system (ABS, found in every car). These products resulted from two decades of uninterrupted R&D investment that short-term shareholder incentives rarely sustain. Through reinvesting, steward-owned companies can provide **the patient capital so called for in Mario Draghi's 2024 report**.

The data on steward ownership clearly shows its added value for the EU's future:

- Steward-owned companies are **three times more likely to survive a 40-year period** than conventionally owned companies (Thomsen et al., 2018).
- Steward-owned companies **outperform competitors consistently** on both profitability and ESG metrics (Schröder & Thomsen, 2025).
- Steward-owned companies exhibit **longer CEO tenure, far higher reinvestment ratios**, and stronger long-term R&D orientation (Herrmann, 2018).
- The EU is home to **thousands of steward-owned companies**.
- Based on Thomsen et al.'s (2018) dataset, steward-owned companies produce **around 10% of the yearly corporate revenue in Germany**.
- Foundation-owned companies on average achieve **higher returns on assets (14.1% vs 11.0%)** and higher R&D as share of revenues (1.6% vs 1.2%) (Thomsen et al., 2018).
- In Denmark, steward-owned companies account for **50% of the country's large company exports** (Thomsen et al., 2018).

From these findings, **steward ownership emerges as a strong ownership model that can contribute to the EU's economy and policy objectives**. By separating control from short-term capital extraction, these companies can prioritise reinvestment, technological innovation, and organisational continuity across generations. Evidence suggests this gives steward-owned firms a strong competitive advantage compared to conventionally owned company peers. Through this they can contribute to industrial stability, innovation capacity, and economic resilience, which are objectives closely aligned to the EU's ambitions for competitiveness and strategic autonomy.

5. Why EU action?

The succession challenge at the heart of this proposal **is not confined to any single member state**. Across the EU, hundreds of thousands of SMEs are evaluating their ownership transfer options as the baby boomer generation of founders retires. The buyers best positioned to respond to this wave – cross-border private equity funds – operate freely under internal market rules, giving them a structural advantage over locally embedded succession options that remain fragmented, underdeveloped, or legally unavailable in most member states. No single member state can alter that competitive imbalance alone, because the market for business transfers is European in scope.

That is why the EU and its member states need to act as one. A 28th regime framework for ESOP and steward ownership would place a single, EU-wide succession vehicle within reach of every entrepreneur in the Union.

6. Our proposals for EU Inc.

The EU Inc. already contains one structural prerequisite (flexible share classes) but lacks the operational architecture needed for employee or steward ownership. The following additions are necessary and consistent with the Parliament's own January INL-report, giving the Council a strong political basis to include them without reopening the proposal's core trade-offs.

To enable this, the Commission and the co-legislators should:

- ... include ESOPs and steward ownership as legal concepts (as recommended in paragraphs 22 and 29 of the INL-report).
- ... include the mechanism of asset locks to enable the execution of steward ownership (as recommended in paragraph 22 of the INL-report).
- ... include the designation of a legal entity per member state to serve as legal shareholder in name of employees or a foundation (akin to a dedicated LLC per member state).

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