

Broad-Based Ownership

For Private Equity Portfolio Companies

October 30, 2025



DavisPolk



**Ownership
Works**

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Our shared mission



Davis Polk



We are joining forces today to discuss the growing focus on **expanding ownership in PE portfolio companies** beyond just management teams, recognizing the increasing attention on **making equity more inclusive and impactful in private equity.**

Speakers today



April Lindauer
General Counsel

carta



Anthony Cimino
Head of Policy

carta



Flora Tsui
PE Business
Development

carta



Veronica Wissel
Partner, Executive
Compensation

Davis Polk



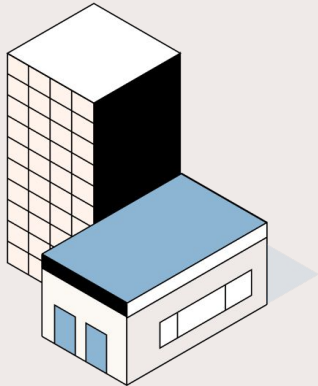
Emily Carpenter
Principal, Client
Advisory Services

 **Ownership
Works**

One

Employee Equity Primer for PE-Backed Companies

Primer on PE equity programs

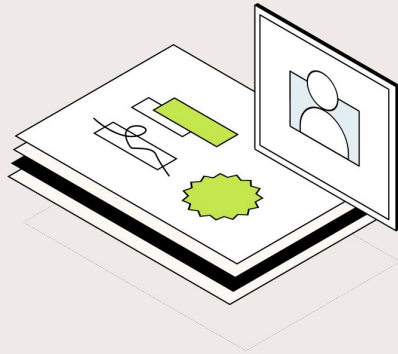


Traditionally, **equity was limited to senior executives through Management Incentive Plans (MIPs)**, tied to exit-based metrics like MOIC or IRR, with payouts only at liquidity events — aligning interests with the GP.

Today, **there's a shift toward broader equity participation**, enhancing alignment, retention, and shared value creation — **reflecting the belief that all contributors should share in a company's success.**

Equity basics

When do PE PortCo employees typically get equity?

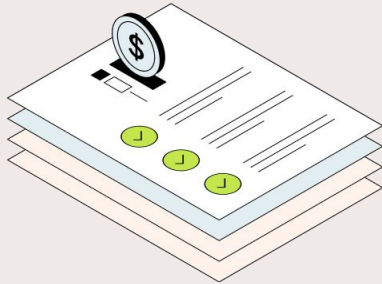


PE PortCos' grants to employees are usually made:

- ✓ At time of investment from the GP
- ✓ New hires at time of hire
- ✓ Limited additional grants made only as needed to correct any misalignment

Equity basics

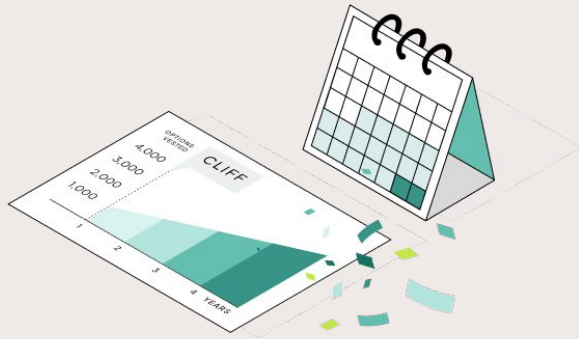
Why should employees care about equity?



Private equity firms typically hold companies for 3–5 years¹, selling their holdings **after increasing their value**.

If **employees** hold equity in that company, they could participate in that **increased value** when the GP exits from its investment.

Why do PE GPs encourage their portfolio companies to give equity?

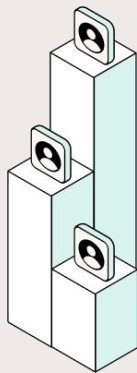


- **To attract talent:** Companies know that offering equity helps get talented people to work for them. Many portfolio companies compete for talent with public companies or pre-IPO companies that make regular grants
- **To retain talent:** Equity incentivizes employees to stay with the company to get their full benefits
- **To align incentives between the company and its employees:** It gives employees more reasons to care more about overall company success, work toward a common goal, and grow the value of the company

Two

Policy Insights on Broad-Based Ownership Programs

BBOPs are the answer



BBOPs offer a model for equitable value creation:

- ✓ BBOPs align economic outcomes:
 - *Employee*: Participate in the profits they help create
 - *Company*: Help attract, retain, and align talent that helps them outperform
 - *Community*: Broaden ownership that helps on economic opportunity, equality, and connection
- ✓ BBOPs align with the financial and social motivations of today's investors.
- ✓ They respond to calls for shared ownership, transparency, and long-term stakeholder value.

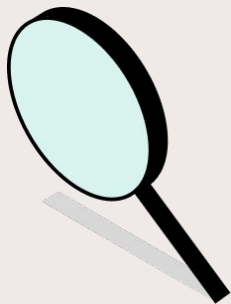
The landscape: Expanding employee ownership



Proposed policy to incentivize & empower:

- Tax reductions to incentivize employee ownership
- Tax deferral on gains from sale of employee shares and broad-based employee owners businesses
- Expanded voice in policy within agencies
- Expanded federal lending support

More transparency, more scrutiny



Broadening investor access and its implications

More ownership means more accountability. Scrutiny is growing around value creation, worker impact, and transparency. This governance aligns and enables broader investor access.

- The SEC and DOL are opening the door to individual participation in private funds and retirement accounts
- Retail investors are entering an asset class long reserved for institutions—bringing new capital and new expectations
- Policy is expanding access—now private markets must evolve to meet broader investor priorities

Three

Broad-Based Ownership Programs for PE Portfolio Companies

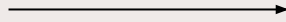
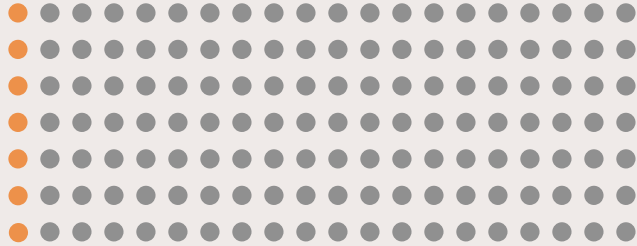
Broad-Based Ownership Programs for PE portfolio companies

- What is a Broad-Based Ownership Program?
- How does it differ from management equity programs, or MIPs, typically used by PE GPs?
- How to implement and administer Broad-Based Ownership Programs for your portfolio companies?

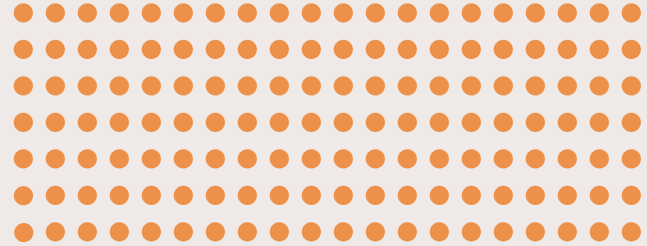


Shared ownership gives every employee the opportunity to become an owner and share in the value they create

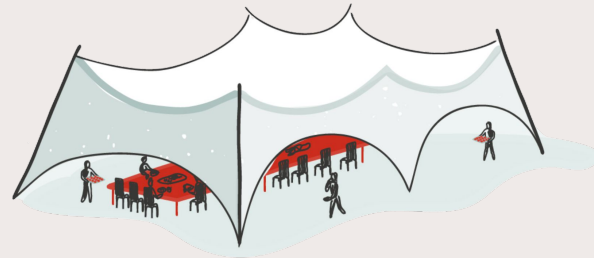
Typical management equity plan



Broad-based employee ownership plan
typically via pools or grants of synthetic equity



- Employees with access to equity participation
- Employees without access to equity participation



Ownership Works' holistic approach

Broad-based
plan

Design a simple and meaningful broad-based employee ownership plan that **aligns incentives of workers** with those of investors to **drive value creation at all levels**

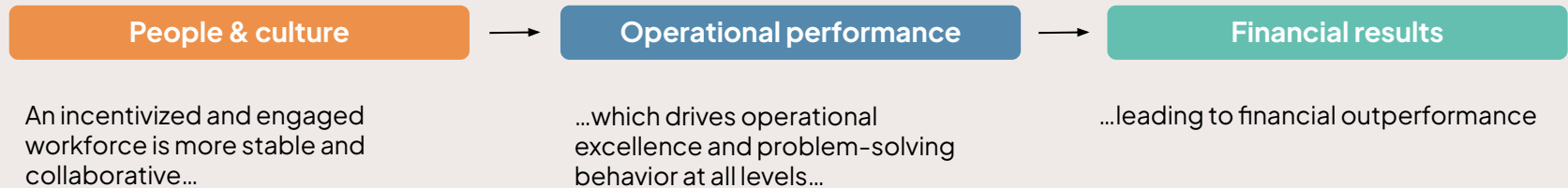
Culture of
ownership

Foster a culture of ownership where **employees feel, think, and act like owners** in delivering improved engagement and business performance outcomes

Financial
well-being

Provide employees with **financial education and tools** to create an economically resilient workforce, uplift families, and enhance wellbeing

Ownership catalyzes more consistent and collaborative teams, driving operational and financial performance



Common measures:

- Voluntary turnover
- Employee engagement scores
- Ownership Behavior survey (OW10)
- Output / productivity
- Customer satisfaction
- Safety
- New system adoption
- EBITDA margin
- Revenue
- MOIC/IRR

Early data suggests that shared ownership strategies consistently lead to superior outcomes

People & culture metrics

77%

of companies saw improvements in turnover after program launch

- 3.5 median percentage point decrease in voluntary **turnover**
- 71% of companies saw improved **engagement scores**
- 68% of companies saw more employees report they “**feel like an owner**”

Operational performance

75%

of companies saw safety improvements after program launch

- 28% median reduction in **total recordable incident rate**
- *O.W. is actively working to collect data on additional operational metrics (e.g., **customer satisfaction**)*

Financial results

93%

of companies above the median IRR for comparable deals¹

- Median **MOIC** 1.5x higher than comparable deals; 71% are in top quartile
- Median **IRR** 19 percentage points higher than comparable deals; 57% are in the top quartile

Notes:

1. Comparison groups matched by GICS sector and investment entry year

Shared ownership can be a competitive advantage for GPs throughout the deal cycle

Investment
process

PE benefits

How shared ownership can make a difference

Sourcing



Exit

1. Winning bids

“We only took the bid meeting with [PE firm] because our banker said we had to. Your team pitched the broad-based ownership concept during the meeting and walking out the CEO and I told our banker ‘**Find a way to close this deal with [PE firm].**’” – CFO, portfolio company

2. Recruiting leaders

“We hired a CHRO for the first time – and the **main selling point** for him to accept the offer was that he **wanted the shared ownership program to be his legacy.**” – CEO, portfolio company

3. Closing M&A

“Our broad-based ownership program was a **key advantage** for closing deals in our rollup strategy, especially for **family-owned businesses.** It differentiated our company as one that cares about its people and made the **integration process** more seamless.” – CEO, food packaging wholesaler and distributor

4. Improving financial performance

“Being part of the Ownership program, I almost **feel like it is my duty** to make sure that the customer gets the best quality product.” – Employee, portfolio company

“What is our current stock price and **how can we drive it higher** this year?” – Employee to CEO in town hall

What has Ownership Works learned from their 160 programs to date?

Prerequisites to launch successful programs



CEO and management team are **enthusiastic** and **committed to the program's success**



Operations, finances, and organizational structure are relatively **stable**



Sufficient equity / upside is allocated to the plan, so payouts are **meaningful** and **motivational**

Hallmarks of the best programs



Programs are implemented **near time of acquisition** to drive better outcomes



Ownership culture is aligned and integrated with **operational strategy** and **goals**



Program accountability is ensured through **clear metrics** and **forums**



Ownership concepts are embedded in **everyday work** and made **personal** for all workers

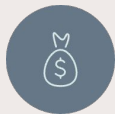
Design a simple and meaningful BBOP

Broad-based plan



Include 100% of employees

Free and incremental to existing compensation



Offer meaningful payouts to employees

Target of 6 - 12 months of salary



Utilize a phantom equity structure

Can be configured as a general pool for all employees or as grants to individual employees

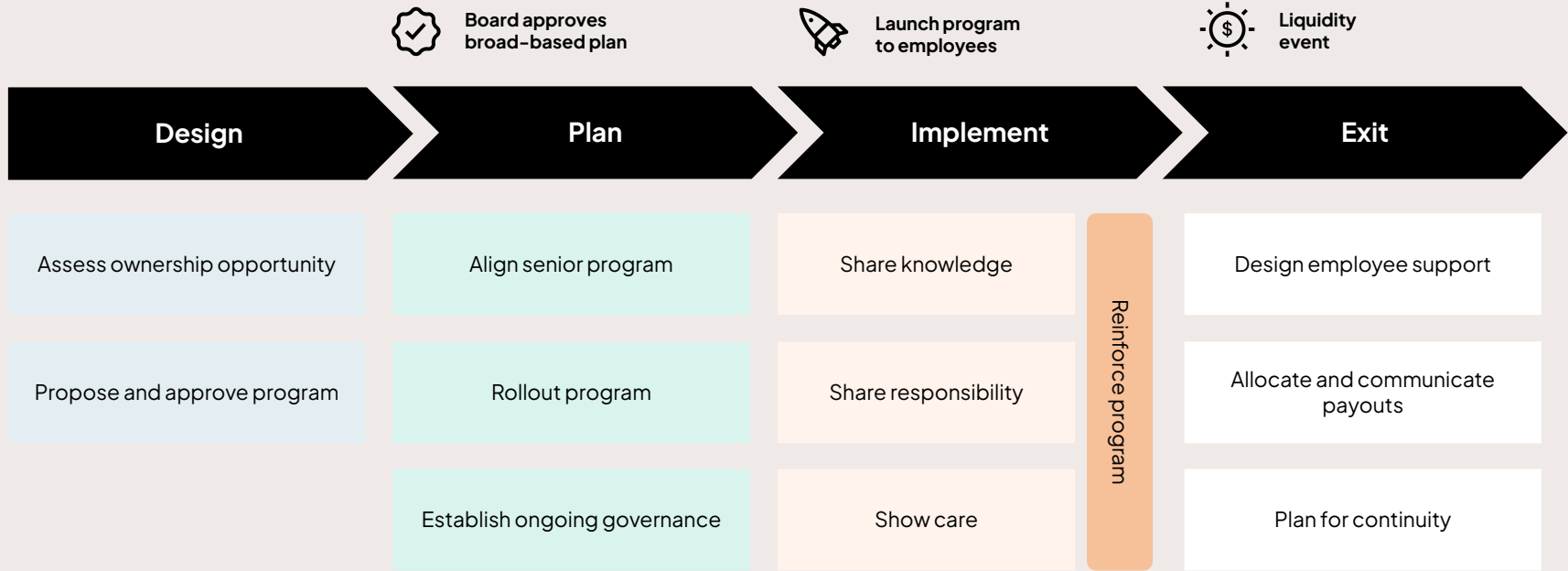


Employ simple vesting conditions

Typically, grants vest at the exit



What it takes to roll out a successful BBOP program and how O.W. can support



Shared ownership at ISC



Company profile

Structure: PE-backed, KKR

Acquisition date: March 2021

Industry: Finance & Insurance

Geography: U.S. & U.K.

Employees: ~390 (educated workforce with specialized skills in underwriting and tech)

Business overview: Insurance data, analytics, and tech

Ownership plan overview

Program status: Completed September 2025

Program launch: September 2021

Plan structure: Equity participation extended via pool of stock appreciation rights (SARs)

Plan allocation: 12 months of annual pay on average

Focus of ISC's Ownership Program

- **Operational excellence**
Increased employees' daily efficiency and productivity rates
- **Cross-collaboration and integration**
Drove the integration of two acquisitions by aligning policy and fostering cross-functional collaboration
- **Retention and engagement of top talent**
Increased attraction, engagement, and retention of top talent

How ISC built its ownership culture

Share knowledge

- “Ownership” trainings starting on Day 1 focused on the business, value creation, and tools to support ownership behaviors in the day-to-day
- Ongoing learning series to build ownership mindset, business acumen, and personal growth
- KPI placemat and BU dashboards to track progress on strategic priorities with real-time visibility

Share responsibility

- Employee-led charitable giving committee and Bright Ideas initiative focused on workplace improvements
- Bottom-up continuous improvement challenges modeled on The Great Game of Business mini-games

Show care

- Various wellness benefits including an employee assistance fund and a financial coaching platform
- Weekly “Wellness Notes” shared via management with all employees
- Annual Gallup survey and mid-year pulse tied to manager performance (e.g., using Gallup’s Accountability Index)

Reinforce the program

- Leadership and managers upskilling (empathy training for the executives and manager enablement programs)
- Six defined ownership behaviors tied to recognition, performance, and communications
- Recognition programs to reward those acting with an owners’ mindset (Founder’s Club and Owners of the Month)

These efforts are showing very promising results

People metrics

-54%

ATTRITION RATE

26% (2021) vs. 12% (2024)

+8%

OWNERSHIP INDEX¹

4.03 (2022) vs. 4.37 (2024)

+23%

**EMPLOYEES FEELING
LIKE AN OWNER²**

3.16 (2022) vs. 3.89 (2024)

91st

**PERCENTILE
ENGAGEMENT SCORE²**

from 76th percentile (2021)

Operational metrics

+11%

**TOTAL POLICY-TO-
FULL TIME OWNER RATIO**
(2022 vs. 2024)

+35%

**EBITDA-TO-FULL TIME
OWNER RATIO**
(2022 vs. 2024)

Financial metrics

+23%

EBITDA CAGR
(2021 vs. 2024)

>2.5

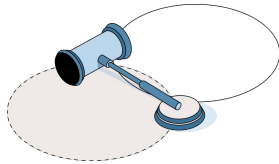
MOIC

Four

Implementing and Operationalizing BBOPs in PE Portfolio Companies

Key steps in rolling out and administering BBOPs for your PortCos

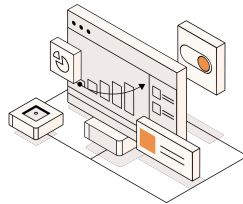
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Design an effective BBOP

- Collaborate with legal counsel and advisors to tailor a plan that aligns with company goals and fits with company's other incentives structure
- Consider legal compliance and tax

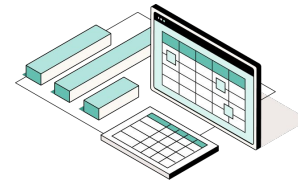
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Evaluate the right tools

- Implement a system to roll out and administer plan
- Collaboration between GP investment professionals, company employees and external administrators
- Consider leveraging technology and platforms that support scalability, compliance, and audit readiness

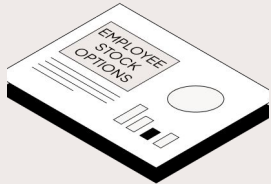
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Educate employees and implement smoothly

- Communicate the value of ownership clearly and ensure seamless rollout and ongoing plan administration
- Consider disclosure requirements
- Be clear on range of performance outcomes

What are typical types of equity for PE PortCos?



	Corporation (C-Corp)		Limited Liability Company (LLC)	
	Stock Options purchase (exercise) shares at the strike price to gain ownership	Restricted Stock Units convert to shares automatically at vesting	Profits Interest stake in future growth—not current value	Phantom Equity cash bonus tied to company performance
Free for employees to acquire	✗	✓	✓	✓
Participation in future appreciation	✓	✓	✓	✓
Participation in existing company value	✗	✓	PIUs with catch up	Depends on how it is structured
Key benefits/Trade offs				
Complexity:	Low	Low	High	Medium
Flexibility:	Medium	Low	High	Medium
Tax Efficiency:	Low	Low	High	Low

Designing a BBOP: Key considerations from a legal POV

Key considerations & how legal counsel can help

Legal entity structure

- Ensure alignment between the company's **corporate form** (e.g. LLC, C-Corp) and the **equity program** considered
- Phantom arrangements can generally work with any structure

Equity program type & documentation

- Design the details of the the appropriate equity instrument, setting **eligibility, vesting structure, equity pool size and dilution planning**—based on company goals and participant profiles
- Consider whether vesting and performance goals will align with the MIP plan, or whether terms will be different
- Draft all relevant documents (e.g., plan document, form of award agreement, FAQ and overview slides, etc.)

Legal & tax implications

- Evaluate **tax treatment** for both the company and recipients, including timing, rates, and jurisdictional considerations
- Obtain proper **board/shareholder approvals**
- At the start, prepare checklists and playbook for grants and administration to ensure clean execution going forward

Effectively roll out and administer BBOPs by leveraging technology

Pain points

Operational complexity: equity tracked via spreadsheets and emails – manual, error-prone, and inefficient

Siloed systems: disconnected legal, finance, and HR teams create admin, compliance friction

Stakeholder engagement gaps: employees don't understand or engage with equity due to lack of understanding, transparency, and tooling

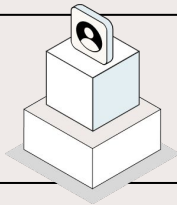
Efficiency gains

Digitized operations: Streamlined workflows in a single platform

Centralized compliance: one source of truth improves accuracy, reporting, and lowers risk

Enhanced stakeholder engagement: equity education and intuitive self-service tools offer employees a transparent, world-class equity experience

BBOPs put wealth building and employee engagement front and center.



Carta serving as a single source of truth for accurate, transparent equity management.



Thank you!



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