



Employee Ownership Trusts in Canada: A Practical Guide for Business Owners

Your roadmap for designing an Employee Ownership Trust that fits your business, your people, and your goals

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What is an Employee Ownership Trust (EOT)?

An EOT is the transfer of ownership to a Trust established to hold shares on behalf of a company's employees, ensuring they benefit from the company's success.

- EOTs require 51% of the company to be sold to the trust, but business owners can still be involved with the business as long as they would like.
- Extremely tax effective - Founders who sell to an EOT can qualify for up to \$10 million in Lifetime Capital Gains Exemption if implemented by 2026.
- The business continues to be run by its leadership team and board, but the trustee ensures the company operates in the best interest of the employees as beneficiaries of the trust.
- As employees do not personally fund the buyout, the company needs to have consistent and reliable cash flow. Owners shares are purchased through this cash flow and bank financing.

Why Consider an EOT?

- ✓ Preserve your business's legacy and independence.
- ✓ Reward and protect employees by sharing the benefits of ownership.
- ✓ Keep jobs and value local, rather than selling to an external buyer.
- ✓ Create a succession path that reflects your values — while securing fair value for your business.

Evaluating Your Emotional and Financial Readiness

Succession planning is not just about numbers — it is about your goals, your values, and your readiness for the next chapter. Use this self-assessment to reflect on where you are today.

How to Use This Quiz

Choose the statement that best reflects where you are today.

Tally your points.

Your score will give you a sense of where you are — and where support might be valuable.

1) How do you feel about stepping back from ownership?

- I have not given it much thought yet — stepping back feels hard to imagine. (1 point)
- I am exploring what stepping back could look like and how to do it well. (2 points)
- I feel ready to plan a transition that reflects my values and goals. (3 points)

2) What is most important to you in a transition?

- Maximizing sale price above all else. (1 point)
- Balancing fair value with securing my team's future. (2 points)
- Creating a legacy that benefits my employees, business, and community. (3 points)

3) How do you feel about employee ownership?

- I am still learning and considering if it fits. (1 point)
- I see potential and want to explore how it could work for us. (2 points)
- I believe employee ownership aligns with what I want for my business. (3 points)

4) How clear are you on how employee ownership could meet your financial goals?

- I am not sure whether employee ownership can deliver what I need. (1 point)
- I think it could work, but I need to explore details. (2 points)
- I believe employee ownership can meet both my financial goals and my values. (3 points)

5) How confident are you that your employees would welcome this?

- I am unsure how my team would feel — I have not explored this yet. (1 point)
- I think they would be interested, but I am not sure how to start the conversation. (2 points)
- I am confident this could inspire and motivate my team. (3 points)

★ Scoring Your Readiness

- 5–7 points:** You are at the start of your exploration — and that is a great place to be. Many owners begin here. The next step is reflecting on your goals and speaking with experienced advisors who can help you map out options.
- 8–11 points:** You are on your way. You have given thought to what matters most, and you are open to exploring the possibilities. This is the ideal stage to engage in structured feasibility work to clarify your path.
- 12–15 points:** You are well-positioned for an EOT. Your priorities and mindset align strongly with what employee ownership can offer. Now is the time to plan and put the right team around you.



Wherever you are today, support is available to help you move from reflection to action. Our team helps Canadian owners navigate these decisions — thoughtfully, practically, and on your terms

Organizational Structure Self Check

For each of the questions below, note your answers or observations:

1

Company Structure

- Do you have a holding company or operating subsidiaries?
- Is your company incorporated federally or provincially?
- Is your structure straightforward or layered?

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Ownership

- Are you the sole owner, or are there other shareholders?
- If others hold shares, what are their priorities or exit goals?
- Have you already used part or all of your lifetime capital gains exemption (LCGE)?

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Governance and Leadership

- Do you already have a board of directors?
- How are major decisions currently made?
- Would you be open to changes in governance to support an EOT?

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Other Considerations

- Are there any personal or family trusts that hold shares?
- Do you have any outstanding shareholder agreements or special rights that could affect a sale?
- Are there tax or legal matters you know need resolving before a transition?

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Why This Matters

- A simple structure generally means a smoother, faster EOT process.
- Complex structures can still transition to EOTs — but they require careful coordination between legal, tax, and governance planning.
- Clarity on these points early helps avoid delays and unexpected costs.

Even complex structures can transition to employee ownership with the right plan and support.

Choosing the Right Advisor

In the UK — where EOTs have been used for over a decade — most business owners who transitioned to employee ownership worked with a specialist EOT advisor.

According to the UK government's national evaluation:

- Owners who worked with experienced advisors described the process as smoother, more straightforward, and less of a legal and administrative burden than selling on the open market.
- Advisors were valued for providing clear guidance on each step, drafting documents, coordinating with tax authorities, and helping communicate with employees.
- While costs were seen as a significant investment, owners consistently reported that the support was worthwhile for ensuring a well-structured, successful transition.



This reinforces the importance of working with an advisor who understands both the technical requirements and the human side of an employee ownership transition.

Checklist: What to Look For in an EOT Advisor

- Proven Canadian EOT expertise** — experience designing EOTs that comply with Canadian law, tax requirements, and succession planning needs.
- Relevant business experience** — understanding of businesses similar to yours in size, sector, and complexity.
- Balanced, integrated approach** — ability to address legal, tax, financial, governance, cultural, and employee engagement considerations in one plan.

- Ability to work with your existing team** — collaborates effectively with your accountant, lawyer, valuator, and other advisors.
- Clear, transparent process** — provides realistic timelines, defined phases, and staged or flat-fee pricing with no hidden costs.
- Strong communication and education focus** — explains complex concepts clearly to owners, employees, trustees, and other stakeholders.
- Project management capability** — coordinates the moving parts of your transition so you are not left managing it alone.
- Long-term commitment** — provides ongoing support for trustees, governance, and employee ownership culture beyond the transaction.
- Alignment with your values** — takes the time to understand what matters most to you — whether it is maximizing value, protecting employees, ensuring community impact, or preserving legacy.

Key Questions to Ask Potential Advisors

- How many Canadian EOT projects have you supported?
- Can you provide examples of complex transitions you have helped implement?
- How do you work with existing legal, tax, and valuation professionals?
- What post-transaction support do you provide?
- How do you help with employee communication and governance planning?

At Ownership Design Group, we provide end-to-end EOT advisory services — from initial feasibility through to post-implementation support — helping Canadian business owners navigate this important transition with confidence.



Talking to Your Team & Gauging Interest

Transitioning to an Employee Ownership Trust (EOT) is more than a change in ownership structure — it is a cultural shift. Early, thoughtful engagement with your employees lays the groundwork for success.

This page will help you plan how and when to begin those conversations.

Self-Check: Are You Ready to Engage Your Team?

Reflect on these questions and jot notes that come to mind:

1. Have you considered what your employees know or assume about succession so far?

— What, if anything, have you shared about your plans for stepping back or transitioning ownership?

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2. Are you clear on what you want to communicate first?

— What is your vision for employee ownership?
— What do you most want employees to understand at the start?

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3. How ready do you feel to address employee questions like:

- Will my job change?
- Will this affect my pay or benefits?
- What say will I have in how the business is run?

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4. How will you approach employees who may feel uncertain or skeptical?

- Do you have a plan for listening, not just informing?

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Plan Your Messaging

When you are ready to engage your team:

- Explain what an EOT is — in plain language.
- Clarify what will and will not change day-to-day.
- Set realistic expectations about employee participation in governance.
- Emphasize your vision and why you chose this path.

Common Pitfalls to Avoid

- *Waiting too long to involve employees, leading to confusion or mistrust.*
- *Assuming enthusiasm without creating space for questions and concerns.*
- *Over-promising what employee ownership will deliver immediately.*

We help owners design and deliver clear communication plans that build trust and support smoother transitions.

Understanding the Role of Trustees in an EOT

In an Employee Ownership Trust (EOT), the Board of Trustees plays a critical role in safeguarding the interests of the employees as the beneficial owners of the business. Their core responsibilities revolve around oversight, stewardship, and accountability, rather than operational management.



Fiduciary Duty to Employees

Act in the best interests of the employee beneficiaries



Oversight of Company Governance

Oversee Board of Directors and business performance.



Adherence to the Trust Deed

Ensure compliance with the terms of the Trust deed.



Stewardship of the Ownership Model

Guard the Employee Ownership culture.



Financial Decisions Related to the Trust

Oversee allocation of surplus profits, repayment of financing.



Trustee Reporting and Accountability

Produce annual report to employee beneficiaries.

We offer independent trustee services as part of our EOT advisory work — providing the governance oversight, compliance support, and stewardship that help employee ownership succeed long term.

Post-Implementation Support: Building a Durable Ownership Culture

Transitioning to employee ownership is not just about closing the deal — it is about embedding the mindset, governance practices, and communications that make the model work in practice. Post-implementation support focuses on ensuring the structure functions as intended, trust is maintained, and employee ownership becomes a lived part of your company's culture.

What Effective Post-Implementation Support Looks Like

Board of trustees and governance meetings are well-structured

— Trustees understand their role, their legal obligations, and how to work alongside the board of directors and leadership.

Clear communication about ownership is sustained

— Employees receive ongoing communication about what employee ownership means (and what it does not mean), how the trust functions, and how it benefits them.

An employee ownership mindset is nurtured

— The company fosters a sense of shared purpose and collective benefit, while maintaining clarity that employee ownership does not mean employees take over management or decision-making.

Transparency builds trust

— The company and trustees share appropriate information about how the trust is operating and how it supports the business and employees.

Common Areas Where Support Makes a Difference

- Helping trustees and leaders navigate their new roles and responsibilities.
- Designing communication strategies that keep ownership meaningful over time, not just at launch.
- Facilitating early governance reviews to fine-tune structures and processes.
- Supporting cultural alignment — ensuring employee ownership principles complement, rather than disrupt, the company's way of working.

Our Role in Post-Implementation Success

We support Canadian businesses in embedding the right mindset, governance practices, and communication strategies to make employee ownership real and durable — long after the transaction is complete.

We support Canadian businesses in making employee ownership a meaningful transition — built on the right mindset, governance, and communication practices.

From Reflection to Legacy: Your Employee Ownership Journey Starts Here

An Employee Ownership Trust (EOT) is not just a structure — it is a decision about the future of your business, your team, and the values you want to carry forward.

By working through this guide, you have taken an important first step: asking the right questions, reflecting on your readiness, and understanding what thoughtful employee ownership requires.



Employee ownership is not about stepping away — it is about stepping forward with intention. Let's plan it well.

Wherever You Are Today

If you are just starting to explore, you now have the right questions to guide deeper reflection.

If you are further along, this guide can help structure conversations with your board, advisors, and employees.

If you are ready to take action, the next step is to plan — with trusted support that understands both the technical details and the human impact of employee ownership.

How We Help

We work with Canadian business owners to design and implement EOT transitions that protect legacy, strengthen culture, and secure employees' futures — from feasibility through governance and long-term support.

Let's Start the
Conversation

[schedule a call](#)



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