Lemma 2. *The employer offers contracts comprising task success wages w_i and project success bonus P:*[1]

$$C_i^m(s_i,s_j) = s_i w_i + m s_i s_j P, \qquad \text{with } w_i = \frac{c}{\beta-\gamma}$$

(i) When work is in person, w_i satisfies the incentive constraint $(\beta-\gamma)\, w_i = c$, whereby both agents exert effort. Since knowledge sharing is frictionless, an agent would always share new knowledge, and no project bonus is required ($P = 0$). The employer's expected profit is:

$$\Pi_{ip}^{unobs} = \left[(1-\rho)\beta^2 + \rho\alpha^2\right]R - 2\left[(1-\rho)\beta + \rho\alpha\right]\frac{c}{\beta-\gamma}.$$

(ii) When work is remote, the same wages as in (i) induce effort, but inducing knowledge sharing requires a project bonus satisfying $P \geq \frac{c_r}{\alpha(\alpha-\beta)}$. The employer's expected profit is:

$$\Pi_{rm}^{unobs} = \Pi_{ip}^{unobs} - 2\left[(1-\rho)\beta^2 + \rho\alpha^2\right]\frac{c_r}{\alpha(\alpha-\beta)} + K + \Delta.$$

[1] Here, *P* denotes the project success bonus, awarded to both agents upon successful completion of both tasks.