

Sustainable Economies Due diLigence: good EXamples and the role of social dialogue

COVAP Spain

CASE STUDY
AGRICULTURE AND FOOD INDUSTRIES

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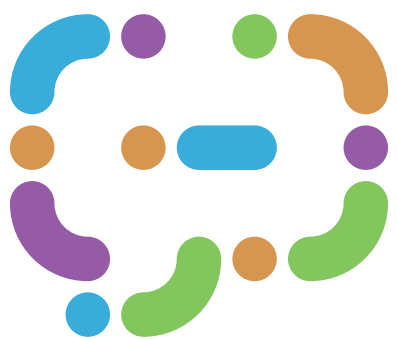
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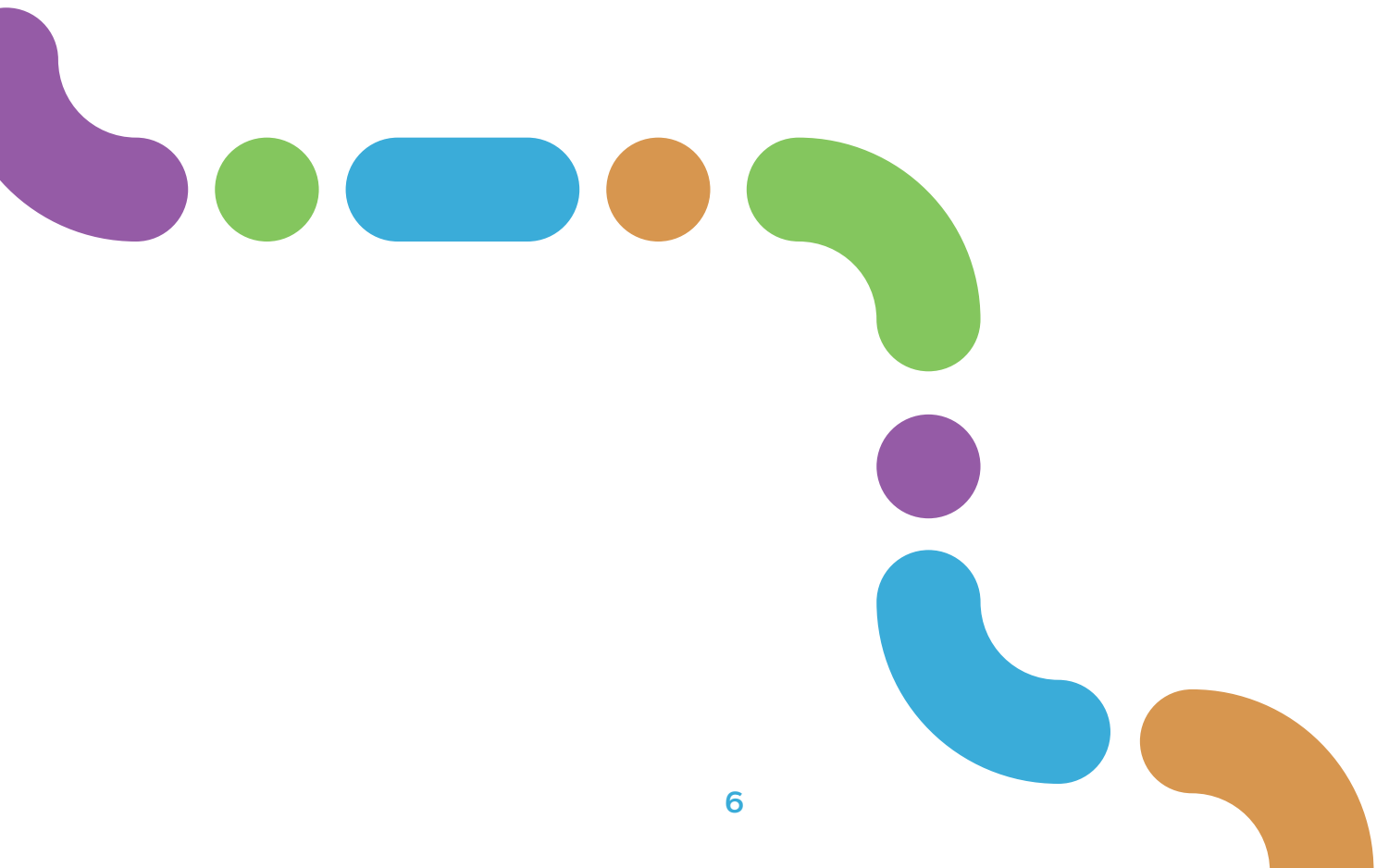
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01

Organisational model and legal status



Case study: COVAP – SPAIN

COVAP (*Cooperativa Ganadera del Valle de los Pedroches*) is an agrifood cooperative established in 1959, which operates as a first-degree cooperative under Spanish cooperative law, representing over 7,000 “regular” members and 9,260 so-called “collaborators”.¹ It also has 1,378 employees. Its organisational model demonstrates how a large-scale cooperative can maintain democratic principles while achieving operational efficiency through professional management.

The organisation’s governance structure operates on three levels:

1. General assembly – comprising all cooperative members as the highest decision-making body
2. Governing board (*consejo rector*) – consisting of 13 elected members plus one worker representative
3. Management committee – handles day-to-day operations with significant operational autonomy

A distinctive feature of COVAP’s governance is its innovative approach to worker representation. Despite being a cooperative of farmers, there is one worker representative position on the governing board which rotates every two years among representatives from the three main business areas (animal feed, meat processing and dairy), ensuring broad representation across operations. Each of these areas maintains its own works council and collective agreement.

The cooperative participates in sectoral dialogue through specific industry associations: FENIL for the

dairy sector, ANICE for the meat sector and CESFAC for the animal feed sector.

Management describes the approach as a “360-degree model” that in its decision-making considers the entire value chain from primary production to commercialisation. As noted by the executive: “We act like a company in day-to-day management, but without forgetting the importance of being a cooperative in everything we do.”

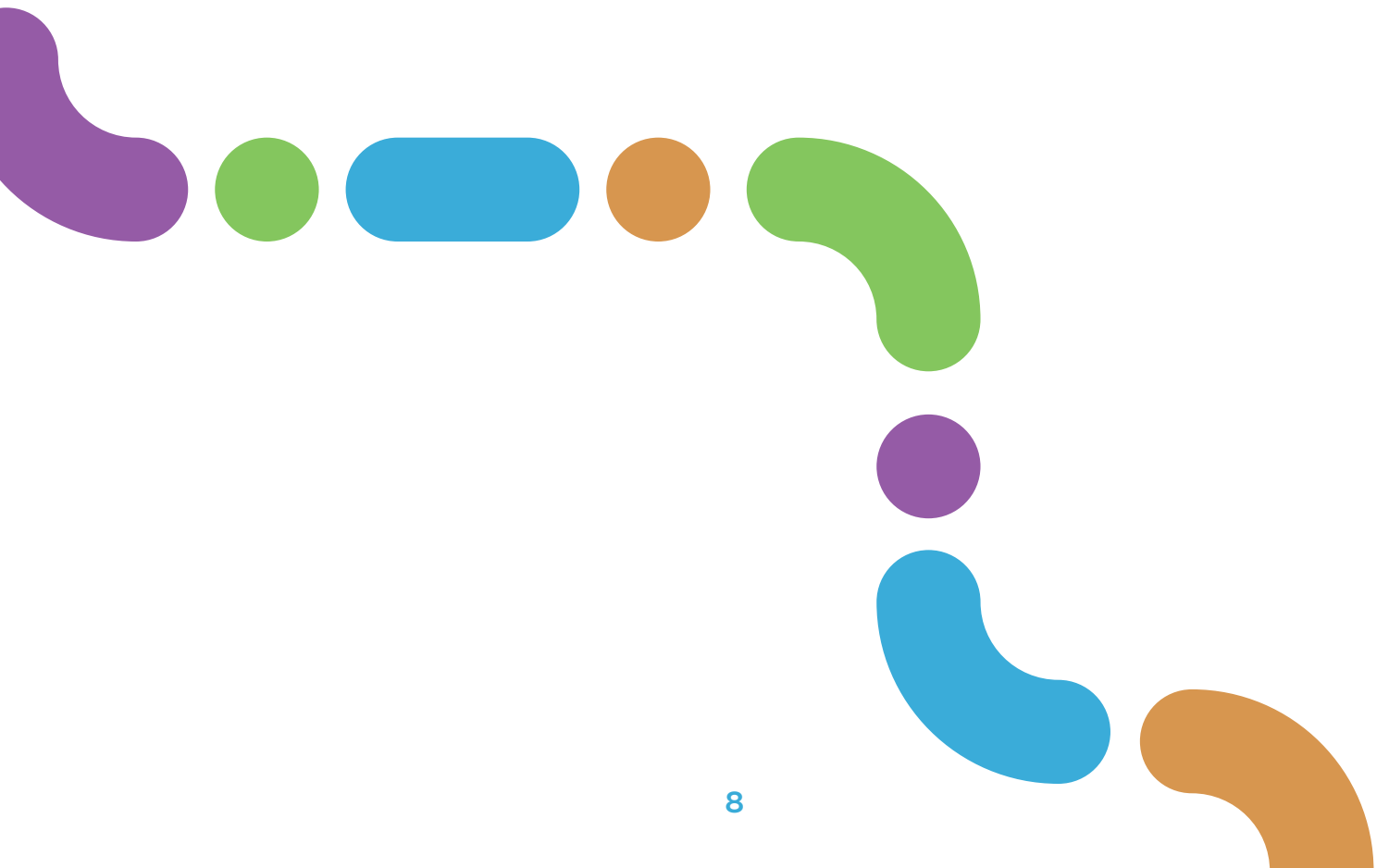
COVAP has expanded while maintaining cooperative principles through regional subsidiaries in Catalonia, Galicia and other areas, as well as two commercial subsidiaries in the USA and the UK. Besides expanding sales (domestic sales represent 96-97% of turnover), this international presence serves three key functions: market intelligence (early insights into sustainability trends in advanced markets), brand enhancement (a stronger domestic reputation), and innovation (a learning platform for the gradual development of new capabilities). The cooperative has also developed strategic alliances with other cooperatives, such as its recent agreement with Cooperativa Alba, under which COVAP will sell Alba’s milk, giving it control of almost 90% of Andalusian milk production.

This model illustrates how agricultural cooperatives can successfully scale up operations while preserving democratic governance and cooperative principles through structured representation and professional management approaches.

¹ These are members who are not livestock farmers and do not conduct significant economic activity with COVAP businesses.

02

Background of the company



Case study: COVAP – SPAIN

COVAP (*Cooperativa Ganadera del Valle de los Pedroches*) demonstrates how a social economy enterprise can achieve substantial growth while maintaining cooperative principles and territorial commitment.

Founded in 1959 in the Valle de los Pedroches, COVAP has grown from a local cooperative into a major agri-food enterprise, with turnover expanding from €441m in 2017 to €1,040m in 2023. Key financial metrics for 2023 include total assets of €485.3m, net worth of €190.9m, and consolidated profit of €26.9m. The cooperative maintains a strong domestic market presence while developing strategic international operations (2% EU markets, 1% other countries), serving both branded and own-label markets through three main business lines: animal feed, meat processing, and dairy products. Beyond Spain, COVAP has established commercial subsidiaries in the USA and the UK, which serve not only as sales platforms but also as market intelligence sources for identifying emerging trends in sustainability and consumer preferences.

According to an interviewee, the cooperative's growth has significantly influenced regional development, helping maintain rural population levels at 47-48,000 inhabitants (compared to an estimated 20,000 without its economic activity). This impact extends beyond its cooperative members, employees and collaborators to include broader territorial development. For example, according to Campoy Muñoz et al. 2020, COVAP generates a 2.65% increase in total production of the Córdoba province, contributes to 3.02% of the provincial GDP and provides 10,185 jobs (848 direct, 1,961 indirect, and 7,376 induced jobs).

COVAP has established strategic alliances with other cooperatives in the region, such as Cooperativa Alba, and maintains strong relationships with educational institutions, including a partnership with the University of Córdoba through the University Centre for Agri-food Development, thus contributing to professional training and territorial development.

COVAP's environmental approach has been shaped by its territorial context, particularly the historic scarcity of water in the Valle de los Pedroches. This has led to the development of resource management practices that predate current sustainability regulations. In 2023, COVAP invested €3.62m in environmental policies, reflecting the increasing formalisation of these long-standing environmental commitments. Its mission *Cuidar juntos el valor de nuestro mundo* (Taking care together of the value of our world) guides its integrated approach to business and environmental stewardship.

COVAP's business model demonstrates the integration of cooperative principles with modern business practices through:

- Value chain decisions that consider comprehensive impacts
- Growth strategies prioritising long-term sustainability
- Innovation driven by both market demands and territorial needs
- International presence serving as market intelligence platform
- Balanced investment in technology and social impact

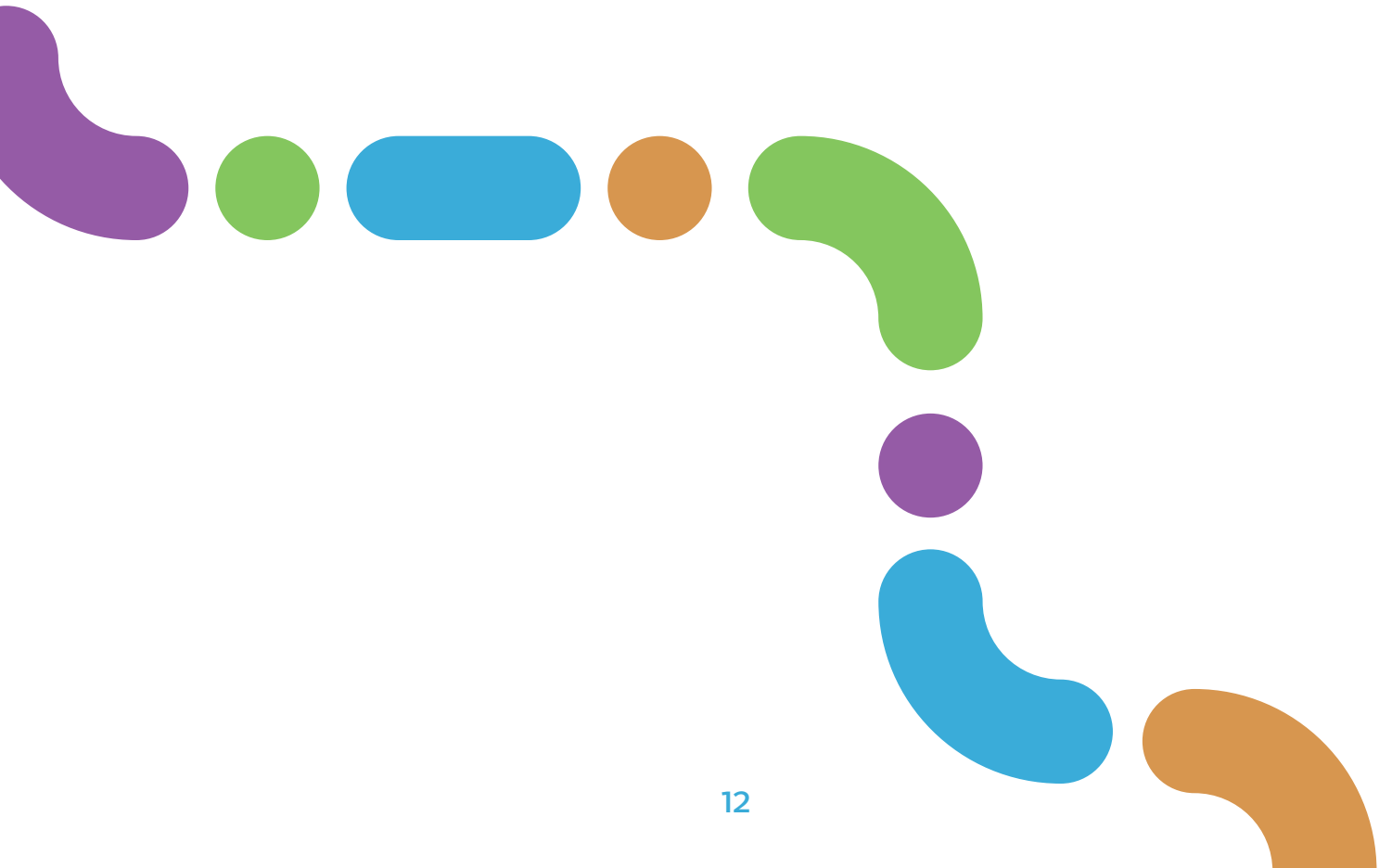
The cooperative is positioning itself for future challenges through technological innovation, sustainable production methods, proactive adoption of sustainability reporting (see below), and focus on professional development and training. This approach demonstrates how agricultural cooperatives can successfully scale up operations while preserving their foundational values and territorial commitments.

Case study: COVAP - SPAIN



03

Corporate sustainability due diligence



Case study: COVAP – SPAIN

COVAP's cooperative structure naturally strengthens its sustainability due diligence framework through three key elements. First, sustainability values have been organically integrated since the cooperative's founding in 1956, rather than being added as external requirements. Second, the cooperative's 360-degree business model ensures that decisions consider impacts across the entire value chain, from primary producers to end consumers. Third, the strong territorial connection drives proactive sustainability initiatives, as is shown by the organisation's early adoption of double materiality assessment and programmes like *Juntos en el círculo* (Together in the circle) that extend sustainability practices throughout the supply chain.

The organisation has taken proactive steps in sustainability reporting, including implementing double materiality assessment in 2023, ahead of the 2025 regulatory requirement. This is an example of how large cooperatives can maintain their values while meeting modern corporate governance standards. For regulatory compliance, COVAP operates under:

- Spanish cooperative law
- Andalusian regional cooperative regulations
- Sector-specific regulations for its business lines
- Voluntary sustainability reporting frameworks

COVAP has developed a comprehensive sustainability due diligence system that addresses the complexities of modern corporate risk management. The framework integrates sustainability risk considerations into the cooperative's business operations, balancing organisational values with contemporary corporate

sustainability standards.

The cooperative's approach to sustainability risk management is built on a multi-layered assessment process that gives insights into potential challenges across the operational landscape. Its key risk focus areas include critical raw materials supply chains, early warning systems and stakeholder engagement.

The risk identification process involves mapping across the organisation's operations and value chain. COVAP's approach aligns itself with best practices through an inclusive strategy that integrates member and stakeholder inputs, creating a collaborative risk assessment framework.

The organisation employs a double materiality assessment methodology that examines both the organisation's impact on sustainability factors and how these factors might influence business operations. This approach moves beyond theoretical analysis by grounding itself in concrete, quantifiable metrics.

Environmental and social impacts are tracked through detailed indicators, including water consumption efficiency, energy usage ratios, waste generation and valorisation rates, supplier compliance metrics, local community impact assessments, and working conditions evaluations.

The monitoring infrastructure uses an integrated digital platform for real-time data collection on environmental parameters. Supply chain traceability systems and regular audit procedures ensure

continuous oversight and responsive capabilities.

COVAP's risk management approach evaluates risks across multiple dimensions to provide a comprehensive understanding of potential challenges. The risk classification considers:

- Probability of occurrence
- Potential impact severity
- Organisational influence capabilities
- Available mitigation strategies

The organisation has developed response protocols with clearly defined procedures for different risk levels. These include responsibility allocation, escalation pathways for severe risks, and integration with broader crisis management systems. This approach enables COVAP to create a proactive and anticipatory risk mitigation strategy deeply embedded in the organisation's operational framework.

Internal controls form a critical component of the due diligence framework. The organisation conducts comprehensive internal audits that extend beyond surface-level compliance checks. Cross-departmental verification processes are integrated with quality management systems, ensuring a holistic approach to organisational oversight.

Documentation requirements and storage protocols support transparency and traceability. Audit and verification processes are designed to provide meaningful insights into operational effectiveness.

External verification complements the internal framework through third-party audits, independent certification maintenance, stakeholder feedback integration, and supply chain verification procedures. In terms of regulatory compliance, COVAP has strategically aligned with multiple frameworks, exceeding minimal compliance requirements. Key certifications include:

- ISO 14001:2015 environmental management
- IFS Food and BRC food safety certifications
- Zero Waste certification

The reporting and documentation system uses a centralised digital platform to manage documentation with precision. It maintains comprehensive audit trails and evidence preservation protocols. Reporting is systematic, featuring regular internal cycles, external framework alignment, stakeholder communication protocols and incident reporting procedures.

The technological infrastructure supporting COVAP's sustainability efforts represents an advanced approach to digital risk management. Digital monitoring platforms, data collection systems, analysis software and reporting interfaces create a comprehensive sustainability management ecosystem.

Operational integration focuses on:

- Daily operational alignment
- Comprehensive staff training
- Sustainability-focused performance metrics

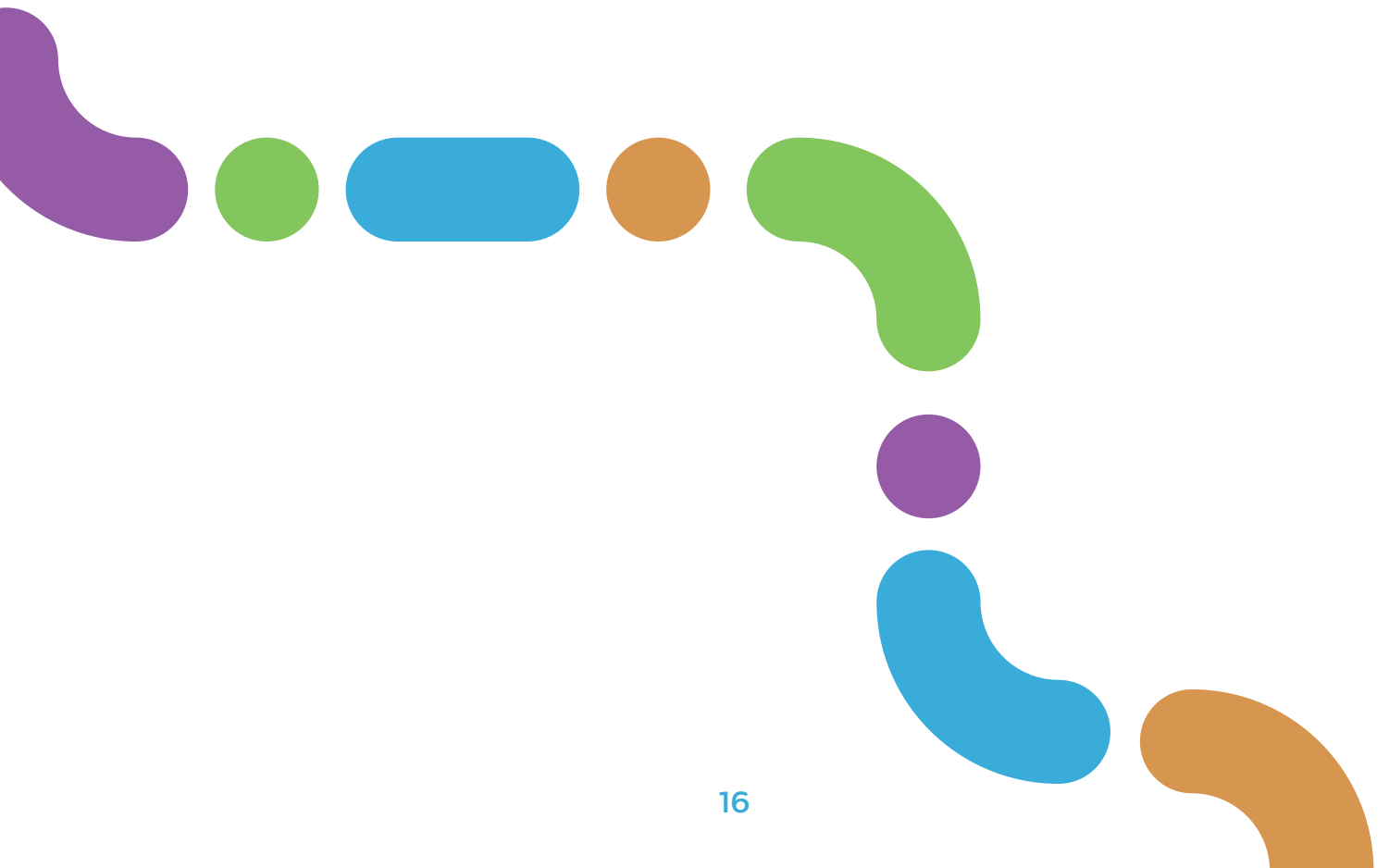
Case study: COVAP – SPAIN

The above-mentioned *Juntos en el círculo* supplier assessment programme exemplifies the organisation's approach to supply chain management, combining technological sophistication with collaborative principles.

In sum, COVAP's due diligence framework demonstrates an effective approach to sustainability risk management that preserves the organisation's cooperative character. By integrating rigorous monitoring and verification with core cooperative principles, the organisation has developed a meaningful model of sustainability risk management for social economy enterprises.

04

Social dialogue



Case study: COVAP – SPAIN

COVAP operates a multi-layered social dialogue system that reflects its dual nature as both a cooperative and a large agri-food enterprise. The company maintains three works councils, one covering each of its main business areas – animal feed, meat processing, and dairy – with 35 worker representatives in total. This structure is complemented by specialised committees for training, social benefits and gender equality, along with quarterly health and safety committee meetings.

A distinguishing feature is how worker representation is integrated into the governing council through a rotating system where works council representatives serve two-year terms. The director general meets weekly with key governing council members and monthly with the full council, demonstrating how operational efficiency can be reconciled with democratic structures. Day-to-day management operates with relative autonomy, but strategic decisions remain under democratic control through the general assembly and governing council.

As mentioned above, the company has broadened stakeholder engagement through *Juntos en el círculo* for supplier development and implemented double materiality assessment ahead of requirements. These programmes reflect an effort to extend cooperative principles of participation throughout the value chain while meeting modern business requirements. Multiple communication channels support this engagement, including an intranet for weekly reports and formal grievance procedures.

Regarding the conditions and challenges of social dialogue in a social economy setting, a series of

elements should be highlighted. For example, the cooperative structure creates both opportunities and challenges for social dialogue. Being member-owned means there is an inherent commitment to transparency – quarterly performance updates to worker representatives and biannual employee briefings are standard practice. The company has systematically mapped its stakeholder groups to include members/cooperative owners (who often hold multiple roles as owners, suppliers, and sometimes employees), employees and their representatives, consumers, suppliers, and broader society including financial institutions and local associations.

A key challenge emerges from COVAP's growth and diversification. While the cooperative maintains democratic governance, it must also operate efficiently in competitive markets. This creates specific challenges for maintaining effective social dialogue across different operational contexts and jurisdictions.

The implementation of environmental initiatives demonstrates the role of social dialogue in practice. COVAP's response to water scarcity involves both technical solutions and extensive stakeholder consultation, reflecting the need to balance member interests, business requirements, and territorial development. Its energy transition project, incorporating biogas, biomass and photovoltaic installations, similarly required navigating multiple stakeholder perspectives while ensuring business viability.

Regarding democratic practices and corporate

sustainability, COVAP's approach demonstrates how cooperative principles can align with modern business practices. This is evidenced in its participatory approach to developing sustainability initiatives, which benefit both the business and member-farmers. as sustainability requirements expand.

Social dialogue has been particularly important in educational initiatives like the University Centre for Agri-food Development. While this serves business needs by developing skilled workers, it also fulfils the cooperative principle of community engagement. Its training programmes extend beyond immediate business needs to support broader territorial development, including preparing workers for external service providers that support the cooperative's members.

These initiatives have achieved high response rates in recent stakeholder surveys, particularly from online customers and cooperative members, suggesting effective adaptation of traditional cooperative communication methods to modern business contexts.

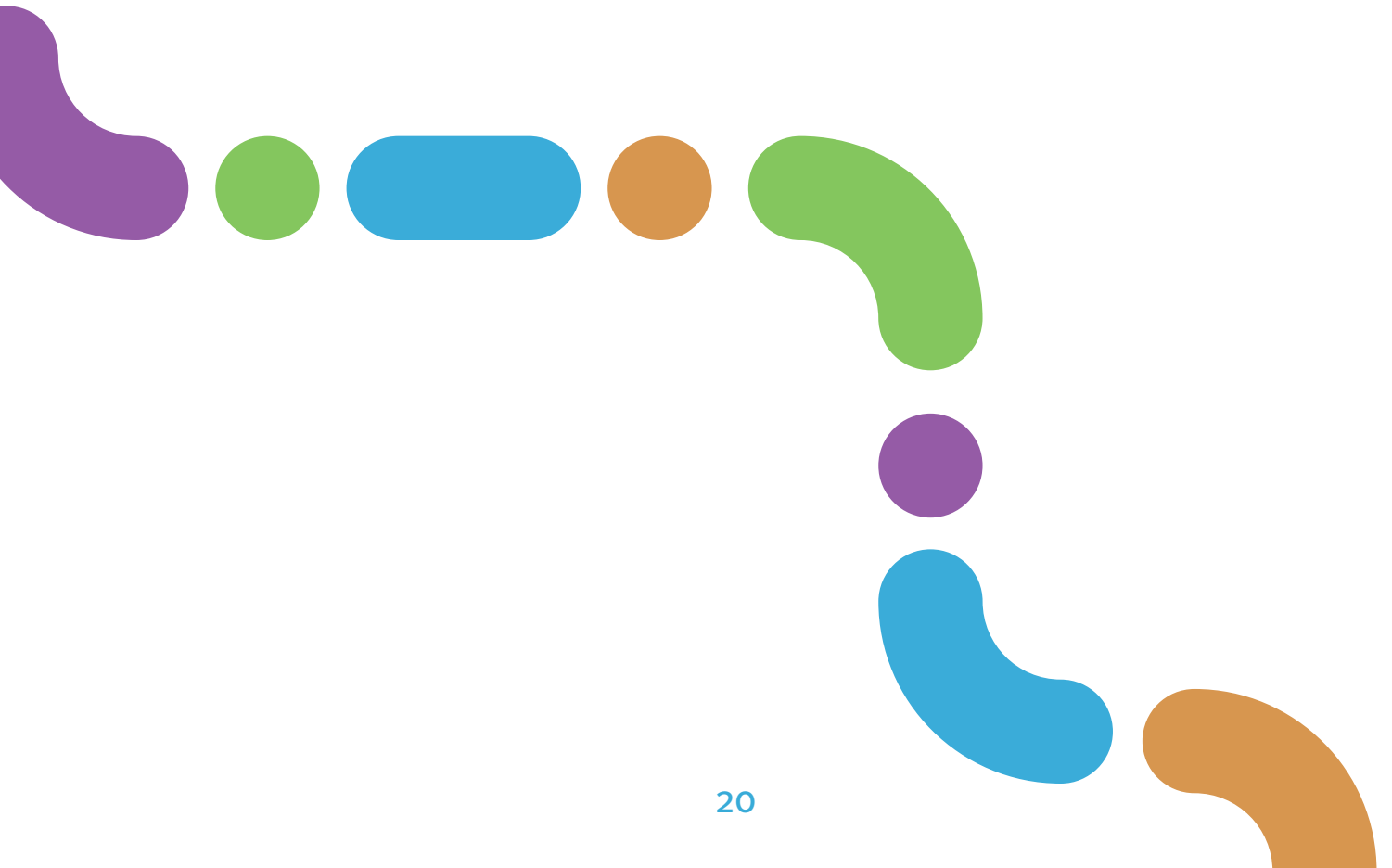
Looking ahead, COVAP's experience offers insights for both social economy organisations and conventional companies implementing sustainability due diligence requirements. The case demonstrates how democratic governance can support sustainability initiatives, while also highlighting the practical challenges of maintaining participatory practices at scale. The key appears to be finding appropriate mechanisms to preserve cooperative principles while meeting modern business requirements – not an easy balance, but one that becomes increasingly important

Case study: COVAP - SPAIN



05

Challenges and opportunities



Case study: COVAP - SPAIN

As described in section II, the cooperative operates in a challenging territorial context that shapes many of its key challenges and responses.

A fundamental challenge, briefly mentioned above but deserving deeper examination here, is operating in a region with a historic lack of water, now intensified by climate change impacts. This environmental constraint has become a catalyst for innovation – particularly in the development of integrated solutions combining water management with energy transition. While specific strategies will be detailed in section VI, this challenge shows how environmental pressures can drive transformative change in agricultural cooperatives.

The cooperative faces significant demographic challenges around generational succession in farming. Rather than treating this narrowly as a family inheritance issue, it has innovatively reframed it as maintaining farming's viability as a profession in its region. As the head of sustainability explains: "We don't talk about generational handover because that's too narrow... What we need to ensure is that the profession stays alive, that farms stay alive so we can continue having this activity." This reframing opens new opportunities for addressing rural demographic challenges through professional development and innovation.

Regarding internationalisation, as mentioned in section I, COVAP has established commercial operations in markets like the USA and the UK. This international presence, while creating challenges for implementing consistent sustainability practices

across different markets, provides crucial strategic opportunities. It serves as an early warning system for emerging sustainability trends that often appear first in markets like Japan or Northern Europe, allowing proactive rather than reactive adaptation to new requirements.

A key challenge lies in balancing rapid technological modernisation with cooperative values and community needs. While investing in advanced technologies is essential for competitiveness, COVAP must ensure these investments are aligned with its social mission. This creates opportunities for innovative approaches to technology deployment that consider both efficiency and social impact.

The cooperative structure itself presents both challenges and opportunities in implementing sustainability initiatives. While decision-making processes may be more complex due to democratic governance (as outlined in section I), this same structure enables deeper stakeholder engagement and more resilient sustainability practices. The cooperative model allows for more equitable distribution of both the costs and the benefits of sustainability initiatives across the value chain.

Looking ahead, COVAP faces emerging challenges around:

- ✦ Adapting to increasingly stringent sustainability regulations
- ✦ Managing climate change impacts on agricultural production
- ✦ Maintaining competitiveness while preserving

cooperative values

- ✦ Developing new skills and capabilities among members and workers

These challenges are creating opportunities for:

- ✦ Leadership in sustainable agricultural practices
- ✦ Innovation in rural development models
- ✦ Development of new approaches to stakeholder engagement
- ✦ Creation of more resilient business models

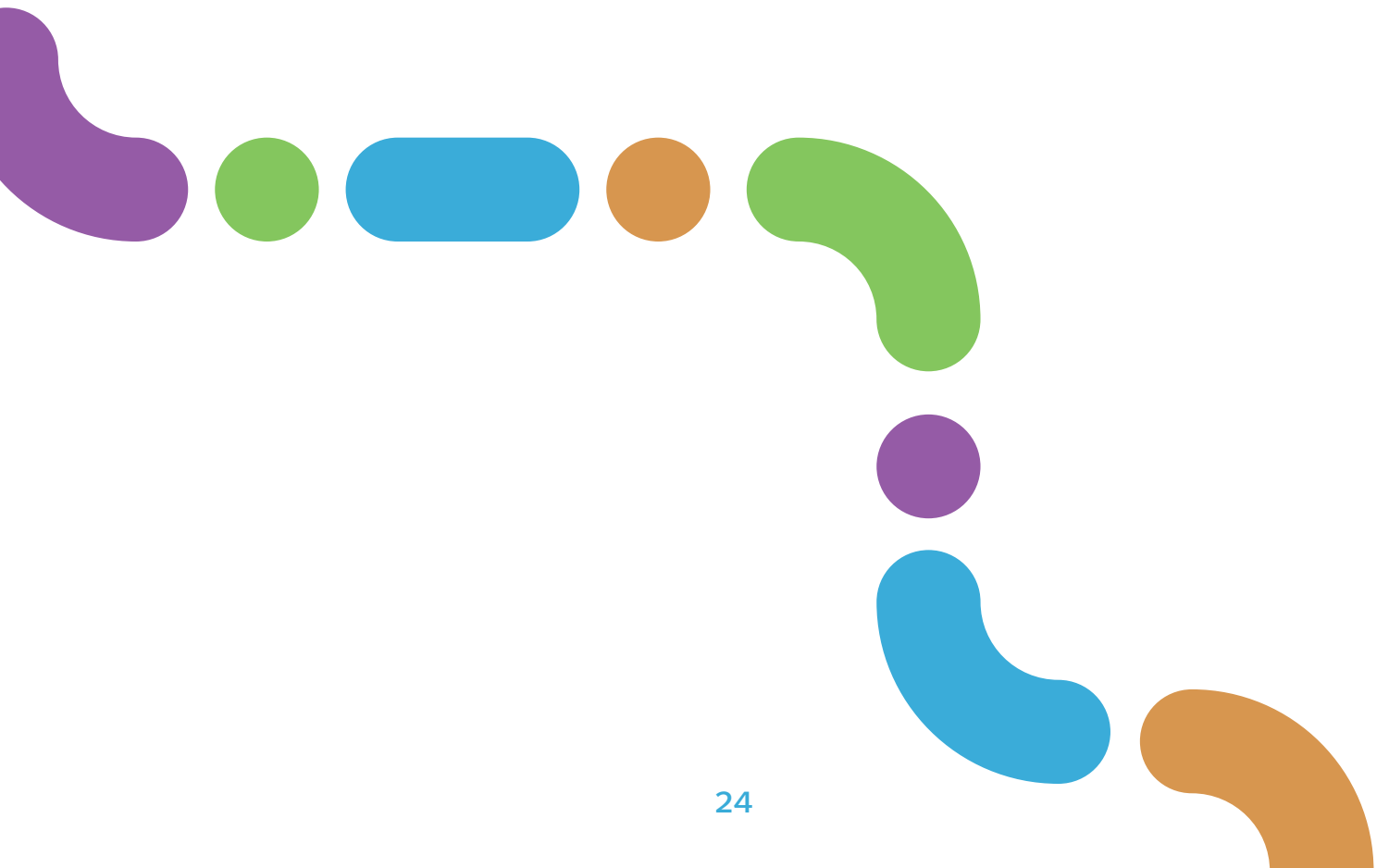
The evidence suggests that COVAP's biggest opportunity lies in leveraging its cooperative identity to address sustainability challenges proactively. Its experience demonstrates how social economy enterprises can transform potential compliance burdens into opportunities for innovation and stronger stakeholder relationships, while maintaining economic viability – a balance that will be explored further in the following sections on specific strategies and lessons learned.

Case study: COVAP - SPAIN



06

Strategies and actions



Case study: COVAP - SPAIN

Several key elements of COVAP's approach to protecting social, environmental and governance values have been discussed in previous sections, particularly its organisational model, sustainability framework, and social dialogue mechanisms. As discussed in section I, one key COVAP strategy is its "360-degree traceability" model that integrates the entire value chain from producers to consumers. This foundational approach, combined with the cooperative governance structure detailed above, guides the development and implementation of specific strategies and actions for protecting social, environmental and governance values. These elements form the foundation upon which COVAP builds its specific strategies and actions. The cooperative's growth trajectory and territorial impact, along with its response to key challenges like water scarcity and generational renewal, provide essential context for understanding its strategic approach to sustainability.

Building on these foundations, this section highlights specific programmes, initiatives and actions that demonstrate how COVAP implements its strategy for promoting and protecting social, environmental and governance values. These concrete actions represent the practical application of the cooperative's principles and frameworks. For example, regarding innovative programmes or initiatives, the following flagship programmes that demonstrate its strategic approach to sustainability can be highlighted:

Social impact programmes:

- The *Diviértete* con COVAP programme creates direct connections between society and

agricultural work, helping bridge the urban-rural divide and promoting understanding of sustainable farming practices

- The *Copa COVAP* initiative combines sports promotion with nutrition education, reaching over 20,000 children annually
- The implementation of the *Juntos en el círculo* supplier engagement programme in 2024 created systematic frameworks for sustainable supplier development
- The establishment of a formalised social training fund with €1.3m allocated in 2019

Environmental action programmes:

- "Planet of Plenty" carbon footprint analysis programme providing systematic assessment of emissions across operations
- Implementation of Bovaer® feed² additive programme achieving 30% methane reduction in dairy cattle
- *Dehesafio* project for ecosystem conservation, working directly with farmers to protect traditional *dehesa* agroforestry landscapes
- Zero discharge energy centre incorporating multiple renewable technologies

Meanwhile, regarding resource allocation and implementation, the main initiatives could be summarised as follows. COVAP has made substantial investments in sustainability initiatives:

- €3.6M dedicated to environmental management in 2023

² a feed additive developed by DSM in animal feed production, achieving 30% methane reduction in dairy cattle emissions.

- Comprehensive renewable energy infrastructure including:
 - ✦ Biogas plant from waste processing
 - ✦ Biomass facility utilising agricultural residues
 - ✦ Large-scale solar photovoltaic installation
- Water recovery and drinking water project integrating circular economy principles
- Achievement of “zero waste to landfill” certification through systematic waste management

The cooperative has also developed specific frameworks to measure the impact of its strategies:

- The above-mentioned implementation of 360° traceability across the value chain
- Regular impact assessments of community programmes
- Systematic tracking of environmental performance indicators
- Economic impact measurement showing multiplier effects:
 - ✦ 10,185 jobs supported (direct, indirect, induced)
 - ✦ Value distribution tracking across stakeholder groups

Looking ahead, COVAP continues to strengthen its sustainability commitment through several forward-looking initiatives. The cooperative is developing new protocols to assess and support suppliers in meeting enhanced sustainability requirements. This work is complemented by significant infrastructure investments, particularly in renewable energy and water conservation. COVAP is also deepening its

commitment to regional development by extending its educational partnerships, which help build necessary skills and knowledge in the territory. These initiatives are being integrated into a broader circular economy approach, where operational improvements aim to maximise resource efficiency and minimise waste across all activities. Together, these forward-looking actions demonstrate COVAP's proactive approach to future sustainability challenges while maintaining its cooperative principles.

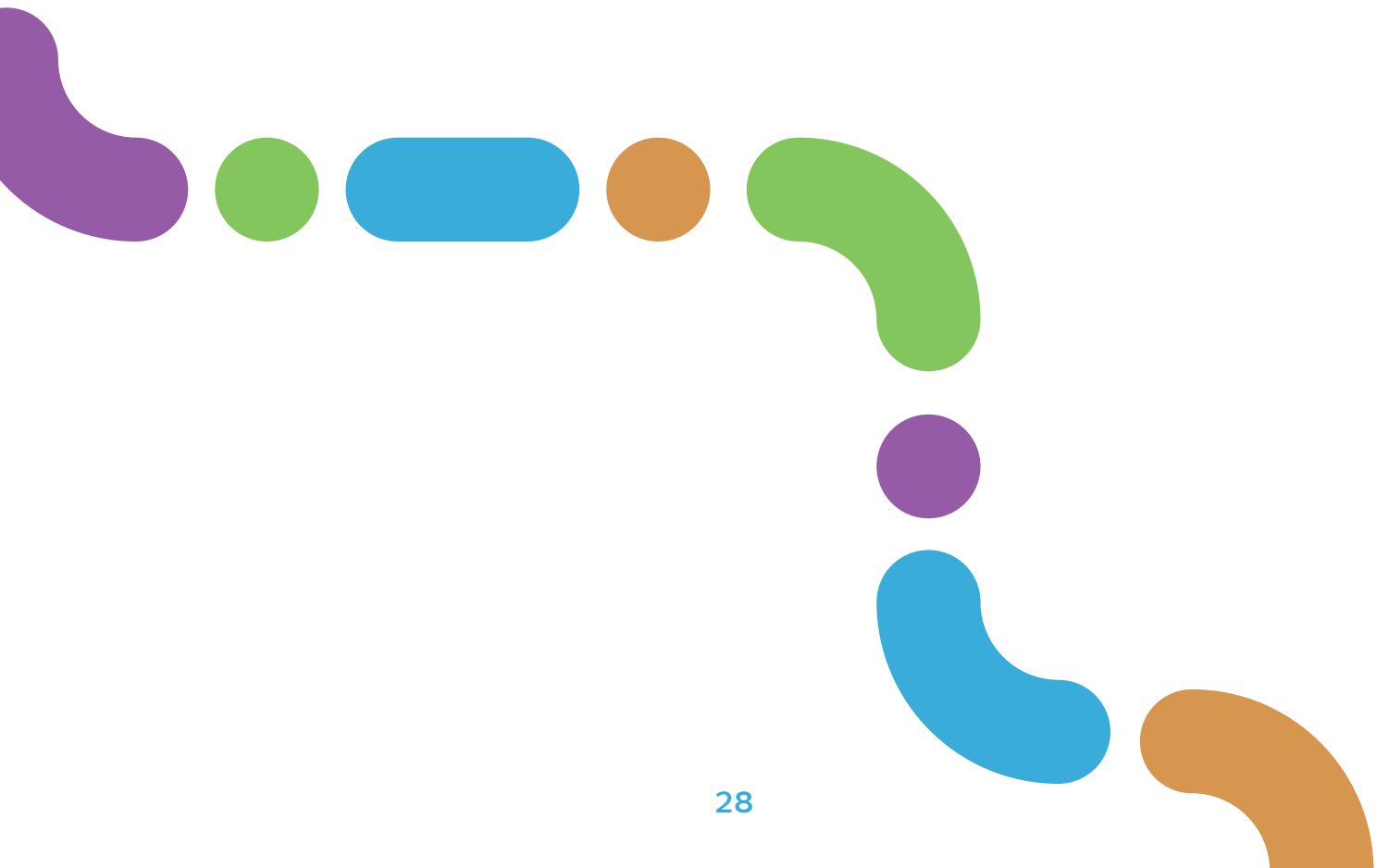
The combination of social programmes, environmental initiatives and governance mechanisms shows how a large cooperative can effectively implement comprehensive sustainability strategies while maintaining its connection to cooperative values and territorial development.

Case study: COVAP - SPAIN



07

Good practices and lessons learned



Case study: COVAP – SPAIN

COVAP has developed a comprehensive set of innovative practices that showcase how a cooperative can lead in sustainability while maintaining strong business performance.

At the forefront is its pioneering *Juntos en el círculo* (Together in the circle) programme, which represents a systematic approach to supply chain sustainability. This programme, which completed its first cycle in 2023, goes beyond typical supplier management by actively developing and supporting suppliers, particularly SMEs, in meeting sustainability requirements. The programme has received strong positive feedback from suppliers who appreciate its collaborative and supportive approach.

The cooperative's commitment to sustainability is demonstrated through its integrated "360-degree" approach to environmental management. This includes an innovative zero discharge water treatment system that not only treats water but produces clean water and fertiliser as outputs. Its energy infrastructure combines biogas, biomass and photovoltaic installations, contributing to its achievement of "zero waste to landfill" status with over 95% waste valorisation. Notable achievements include a 30% reduction in methane emissions through the incorporation of Bovaer in animal feed, with an ambitious target of reducing the cooperative's carbon footprint by 15% by 2027.

Educational innovation forms another cornerstone of COVAP's practice through its strategic partnership with the University of Córdoba in the Centro Universitario de Desarrollo Agroalimentario. This partnership has transformed rural development by providing training programmes that support generational transition in farming while focusing on agricultural modernisation and digitalisation. The impact is evident in the maintained rural population of around 47-48,000 inhabitants, compared to a projected 20,000 without

the cooperative's presence.

COVAP's democratic governance model represents an innovative balance between cooperative values and professional management efficiency. Weekly meetings between management and key council members, combined with monthly full council meetings, ensure continuous oversight while maintaining operational efficiency. The inclusion of a worker representative on the governing board and the integration of 35 union representatives across three collective agreements demonstrates the cooperative's commitment to worker participation.

Key lessons learned

COVAP's experience provides valuable insights into successful sustainability integration. Its approach demonstrates that sustainability values must be embedded in the business model rather than treated as an add-on. This is evidenced by the cooperative's early adoption of double materiality analysis in 2023 and its proactive approach to regulatory compliance. The integration of stakeholder feedback into decision-making has proven crucial to its success.

The cooperative's approach to value creation and distribution offers important lessons in stakeholder balance. Its distribution of value added – 61% to employees, 25% to reinvestment, and 9% to owners³ – demonstrates how a cooperative can maintain business sustainability while serving member interests. Its investment in local community development and support for member economic sustainability showcases the benefits of a long-term approach to business development.

The *Juntos en el círculo* programme has provided crucial lessons in supply chain development. It demonstrates the importance of systematic supplier engagement and the value of providing proactive support rather than simply demanding compliance. The programme shows how cooperatives can act as development agents in their supply chains, creating shared value through collaborative approaches.

COVAP's environmental initiatives have shown how different sustainability challenges can be addressed through integrated solutions. COVAP's experience demonstrates the value of connecting farm and industrial sustainability, and how environmental and economic goals can be balanced effectively through innovative approaches to water management, energy production, and waste reduction.

Transferable elements

The key transferable elements from COVAP's experience include its *Juntos en el círculo* supplier

programme, its balanced governance model combining professional management with cooperative values, and its framework for educational partnerships. These elements can be adapted by other organisations regardless of their size or sector, particularly as companies prepare for increased sustainability requirements under new regulations like the directive on corporate sustainability due diligence.

³ The 5% balance goes to taxation and mandatory funds.

Case study: COVAP - SPAIN



References

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Besides the above mentioned reference, previous sustainability reports and the COVAP website were consulted.

Two interviews were made, one on June 2024 and the other in December 2024, with senior staff in charge of sustainability and human resources.

Case study: COVAP - SPAIN





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