SEDLEX

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

Final Report

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Abbreviations

BAGFW	Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege (Federal Association of Non-statutory Welfare)
CSDDD (**CS3D**)	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
CSR	corporate social responsibility
DGB	Deutscher Gewerkschaftsbund (German Trade Union Confederation)
DGRV	Deutscher Genossenschafts- und Raiffeisenverband (German Cooperative and Raiffeisen Confederation)
DNK	Deutscher Nachhaltigkeitskodex (German Sustainability Code)
ESG	environmental, social and governance
EU	European Union
EUDR	EU Deforestation Regulation
GRI	Global Reporting Initiative
HREDD	human rights and environmental due diligence
ICA	International Cooperative Alliance
ILO	International Labour Organisation
IPCC	Intergovernmental Panel on Climate Change
IRBC	international responsible business conduct
LkSG	Lieferkettensorgfaltspflichtengesetz (German Supply Chain Due Diligence Act)
NFRD	Non-Financial Reporting Directive
OECD	Organisation for Economic Co-operation and Development
PACTE	Plan d’Action pour la Croissance et la Transformation des Entreprises (Action Plan for Business Growth and Transformation, France)
SCOP	société coopérative et participative (worker cooperative in France)
SDGs	Sustainable Development Goals
SER	Sociaal-Economische Raad (Social and Economic Council of the Netherlands)
SFDR	Sustainable Finance Disclosure Regulation
SRI	socially responsible investment
UN	United Nations
WCM	World Cooperative Monitor

Executive summary

The final report of the SEDLEX project explores how sustainability is embedded in the organisational culture and governance of cooperatives, and whether this business model can serve as a reference for advancing sustainable economies. Based on an analysis of 14 large cooperatives across the financial, retail and agri-food sectors, in France, Germany, Italy, Spain, the Netherlands and Spain, the study finds a proactive approach to sustainability that frequently precedes and exceeds legal requirements.

Key findings from the SEDLEX project show that sustainability is indeed often enshrined in cooperatives' legal status and mission statements. Their governance is characterised by shared ownership, "one member, one vote" decision-making, and strong stakeholder engagement. Many establish dedicated sustainability committees, embedding environmental, social and governance considerations at the highest decision-making level. The cooperatives studied also show a strong commitment to social dialogue and to the well-being of employees and communities. Worker representation is widespread and ensured by worker representation on boards, along with policies that promote job security, equitable pay structures, continuous training, and employee welfare. Their social role often extends to promoting inclusion, supporting territorial development, and ensuring responsible supply chains. Finally, cooperatives adopt proactive measures to address environmental challenges that are aligned with a long-term and intergenerational approach. These initiatives include greenhouse gas (GHG) emission reduction programmes, investment in renewable energy, adoption of circular economy principles, and advanced water management practices.

The report suggests some pathways to leverage the strengths of cooperatives to accelerate the transition towards a more sustainable economy:

- Future policies should move beyond simply minimising negative impacts to actively encourage the regenerative business practices that cooperatives have long generated;

- It is crucial to support governance models that empower workers, producers and other stakeholders to shape transitions, ensuring that sustainability measures are accepted and adapted to local realities;

- While cooperatives "do not wait for regulators", clear leadership and minimum regulations are essential to create a level playing field for all economic actors, recognising and valuing the intrinsic contributions of cooperatives.

The SEDLEX project concludes that large cooperatives have structural advantages in addressing sustainability challenges. Sustainability is a core component of their identity, not an external addition. They reinvest profits in community development and environmental transition, proving that economic performance and sustainability can reinforce each other. As innovation drivers and contributors to local and regional resilience, cooperatives are fully integrated into the private sector and offer valuable lessons to advance sustainable economies.

01
Introduction

1.1 SEDLEX RESEARCH QUESTION AND HYPOTHESIS

The SEDLEX project (1 November 2023 – 31 October 2025) investigates how sustainability is part of cooperatives' organisational culture and governance model. Its aim is to explore whether and how this business model can serve as a reference for advancing sustainable economies.

The project was launched at a pivotal moment. Negotiations on the Corporate Sustainability Due Diligence Directive (CSDDD) were ongoing at the EU level, creating momentum for embedding sustainability in corporate governance. This timing provided a unique opportunity to examine how organisations approach sustainability and due diligence duties, both in principle and in practice. Since then, the policy context has evolved. Political priorities have increasingly shifted towards competitiveness, resulting in a less ambitious legislative framework. The revised CSDDD, adopted through the *omnibus package*, reflects this change. Nonetheless, the relevance of the topic has not diminished. On the contrary, it has become more urgent to understand how cooperative business models pursue sustainability and due diligence objectives independently of legal requirements, and even outreach them.

Against this backdrop, the SEDLEX research question is: How are large social economy enterprises already implementing the duties included in the proposal for a directive on corporate sustainability due diligence within their own business models and value frameworks?

SEDLEX working hypothesis

The central hypothesis of SEDLEX is that cooperatives, due to their value-driven missions, are inherently more inclined to balance economic, social, environmental and governance objectives in their operations. This predisposition may enable them to implement sustainability and due diligence requirements in ways that go beyond formal compliance. Their embedded organisational cultures and participatory governance structures could support a deeper internalisation of corporate sustainability principles. This research explores whether, and how, the distinctive governance features of cooperatives contribute to such outcomes.

1.2 KEY CONCEPTS

The SEDLEX project builds its conceptual framework on three interrelated pillars:
(1) corporate social responsibility and due diligence;
(2) social dialogue and democratic governance; and
(3) cooperatives.

These concepts form the foundation for exploring how large cooperatives contribute to building sustainable economies through the organisation and implementation of responsible business practices.

Corporate social responsibility and due diligence

Corporate sustainability has become a central theme across the EU, as companies increasingly face the requirement of aligning financial performance with social and environmental responsibilities. Corporate sustainability refers to a company's commitment to managing its operations and supply chains in ways that address economic, environmental, social and governance concerns in a balanced and integrated manner (Bergman, Bergman & Berger, 2017). This includes actions such as reducing carbon emissions, safeguarding human rights, promoting fair labour practices, and ensuring ethical supply chains. Rather than prioritising shareholder value alone, **corporate sustainability focuses on delivering value to a broader range of stakeholders.**

Against this backdrop, the **Corporate Sustainability Reporting Directive** (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) marked a shift in EU regulation over the last few years, moving from voluntary sustainability measures to mandatory due diligence obligations (Mieszkowska 2024; Bueno et al. 2024). The CSRD establishes detailed reporting requirements on environmental, social and governance (ESG) issues. The CSDDD imposes mandatory due diligence obligations related to human rights and environmental impacts.

The **European Green Deal**, launched in December 2019, laid the political groundwork for both directives (Noti et al. 2020). It recognised that voluntary initiatives alone were insufficient to tackle systemic issues such as human rights violations and environmental degradation in global supply chains (Caputo et al. 2021; La Torre et al. 2020; Thorens et al. 2025). Both directives aim to increase corporate accountability and ensure that investors and other stakeholders can assess companies' social and environmental impact.

The **CSRD**, which came into force in January 2023, replaced the Non-Financial Reporting Directive (NFRD). It introduced more standardised and comprehensive requirements, significantly expanding the range of companies (particularly large firms and listed SMEs) required to disclose sustainability-related information. The **CSDDD** establishes due diligence obligations centred on identifying, preventing, mitigating and accounting for negative human rights and environmental impacts across a company's own operations, subsidiaries and value chains. In addition, certain large companies must have plans in place to ensure their business strategies align with the 1.5°C limit set out in the **Paris Agreement**. The European Commission's original proposal, presented in February 2022, applied to companies with over 500 employees and €150 million in global turnover, potentially covering around 17,000 companies (McCullagh 2024). It built on existing national legislation in countries such as France, Germany and the Netherlands (Pollet 2021; Verbrugge 2022), and drew explicitly on international frameworks including the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. After nearly five years of negotiation, the directive was adopted in July 2024, albeit in a much diluted form. The reappointment of the **Von der Leyen Commission** marked a shift in political priorities, with competitiveness gaining ground over sustainability goals (European Commission 2025). In February 2025, the so-called **"Omnibus" proposals** challenged the regulatory progress achieved under CSRD and CSDDD. Drawing on the **Draghi Report** on European competitiveness (Draghi 2024), the European Commission proposed simplifying sustainability obligations and reducing the scope of companies covered (e.g. increasing the threshold for targeted companies to those with over 1,000 employees and with a turnover exceeding €450 million) (Merler 2025). These revisions directly affected the CSRD and the CSDDD. The **Omnibus Directive** raised serious concerns. Critics highlighted a lack of clarity and absence of impact assessments, misalignment with international standards such as the UN Guiding Principles and OECD Guidelines, and increased uncertainty around the transposition of the directive into national law (Bright et al. 2025). The postponement of reporting obligations to 2028 and the narrowing of scope – such as limiting reporting to Tier 1 suppliers – created significant enforcement gaps across member states (Bertram 2025).

While **much of the policy debate centres on compliance with reporting standards and legal obligations**, this project shifts attention to how sustainability is enacted at the organisational level, across three selected sectors. It explores how cooperatives develop, operationalise and institutionalise sustainability strategies in ways that reflect their governance structures, value orientations, and stakeholder relationships. These organisational dynamics do not emerge in isolation; they are shaped by broader policy and legal frameworks at EU, national and sectoral levels. SEDLEX therefore examines cooperatives not as closed systems, but as economic and social actors operating within, and responding to, a shifting political and regulatory environment.

Social dialogue

Social partners are also meant to play a role in advancing responsible business conduct through social dialogue. In November 2022 the International Labour Organisation, together with the European Commission, launched a joint action to support the efforts of European employers' and workers' organisations "to navigate the context created by the move to make due diligence mandatory for businesses" (ILO 2022).

Robust social dialogue and workplace democracy have long been recognised as enablers of fair working conditions and credible sustainability practices (Crifo & Rebérioux 2024). Previous research shows that strong social dialogue structures give workers a voice and improve job quality (Reinecke & Donaghey 2023). In social economy enterprises, these structures often help shape, implement and monitor sustainability strategies.

Social dialogue, as an expression of organisational democracy, fosters a participatory environment where workers and stakeholders can co-determine both business strategy and daily operations. This form of participation has been shown to improve employee satisfaction and wellbeing (Weber et al. 2020). Democratic structures such as participative management and workplace innovation enhance these effects (Cassini et al. 2018; Weber et al. 2019). Cooperatives exemplify these principles through democratic ownership, solidarity and collective decision-making, embedding sustainability within their core business practices (Novkovic & Gordon Nembhard 2023).

The **importance of social dialogue** is highlighted in the Council recommendation on strengthening social dialogue, adopted on 12 June 2023. Since 2017, a series of EU-level initiatives have reaffirmed the role of social partners in tackling key transitions such as the green and digital transformations. These initiatives stress the need for social partner engagement in designing and implementing EU priorities at national, sectoral and cross-industry levels.

Besides the 2023 Council recommendation, this institutional commitment is reflected in multiple recent initiatives: the European Pillar of Social Rights (2017), the Commission and Council Communications on Strengthening Social Dialogue (2023), the Val Duchesse Declaration (January 2024), the La Hulpe Declaration (April 2024), the Tripartite Exchange Seminar on Green Transition and Skills (May–December 2024) and the European Pact for Social Dialogue (March 2025). These efforts are grounded in the belief that strong social partnerships enhance policy legitimacy, effectiveness and democratic accountability (Regulation (EU) 2024/1263 of 29 April 2024).

Since the launch of the Green Deal, EU institutions have recognised the strategic role of social dialogue. In 2021, the European Commission proposed a Council recommendation to guide member states in working closely with social partners on the social and labour aspects of the green transition (European Commission 2021). Public consultations showed strong support for reinforcing dialogue and collective bargaining, with respondents emphasising the need for consultation and codecision rights (European Commission, 2021).

Effective social dialogue and employee participation in social economy organisations such as cooperatives stimulates active membership, which is a crucial factor for cooperatives' economic competitiveness. It is also critical for organisations like cooperatives to have dual representation in social dialogue institutions at both sectoral and national levels. In member states where social economy organisations including cooperatives exist, organisations are more resilient.[1] It also means that such impact business models are recognised in national policy and legal frameworks which allow them to develop their economic activities in a sustainable way.

Cooperatives

Most EU and national frameworks on corporate sustainability due diligence are designed for large companies. For purposes of comparison and knowledge sharing, the SEDLEX project focuses on **large enterprises within the social economy** – primarily cooperative groups.

A cooperative is a group of people who come together to pursue a common purpose through a jointly owned and democratically controlled enterprise. This dual character – as both a collective of individuals pursuing a societal goal and an economic enterprise – is referred to as the "double nature" of cooperatives (Fauquet 1951). Cooperatives aim to produce goods or services that meet shared needs, whether economic, social or cultural. Financial viability and the generation of surplus are means to strengthen the cooperative's capacity to fulfil its mission (Richoux & Peschlette 2022).

1 As demonstrated by the MESMER+ project (2022-2024): https://www.diesis.coop/mesmerplus/

The identity of cooperatives is defined by seven internationally recognised principles (ICA, 2016), including voluntary and open membership, democratic control, member economic participation, autonomy, education, cooperation among cooperatives, and concern for the community. These principles form the normative and operational foundation of cooperative governance and business conduct (see Table 1).

TABLE 1. CO-OPERATIVE PRINCIPLES (RETRIEVED FROM ICA GUIDANCE NOTE, 2016)

1. VOLUNTARY AND OPEN MEMBERSHIP	*Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.*
2. DEMOCRATIC MEMBER CONTROL	*Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.*
3. MEMBER ECONOMIC PARTICIPATION	*Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.*
4. AUTONOMY AND INDEPENDENCE	*Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.*
5. EDUCATION, TRAINING AND INFORMATION	*Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. they inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.*

6. CO-OPERATION AMONG CO-OPERATIVES	*Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.*
7. CONCERN FOR COMMUNITY	*Co-operatives work for the sustainable development of their communities through policies approved by their members.*

Historically, cooperatives have a **long-standing presence in the economy**. The Fenwick Weavers' Society in Scotland (1761) and the Rochdale Pioneers in England (1844) are often cited as early examples of the modern cooperative movement. Over time, cooperatives have evolved from single-stakeholder entities to more complex multi-stakeholder models. Their mutual benefit logic has extended beyond internal members to include broader stakeholder interests (Levi 2006). Earlier academic literature – particularly in the second half of the 20th century – often viewed cooperative expansion through the lens of "degeneration," suggesting that growth would force cooperatives either to abandon their values or fail commercially (Storey, Basterretxea and Salaman 2014). More recent research and policy discourse, however, have introduced the concept of "regeneration," recognising cooperatives' capacity to balance economic, socia and environmental goals (Siedlock et al. 2024).

The European Commission has **for a long time acknowledged** cooperatives for their contributions to social cohesion, local development, and participatory democracy. This recognition has been expressed in official communications, policy initiatives, and legislative frameworks (such as the European Cooperative Society (SCE) legal form in 2003). The European Commission encourages the "promotion of the greater use of cooperatives across Europe by improving the visibility, characteristics and understanding of the sector" (European Commission 2004).

Within the European Union, cooperatives are recognised as key actors that form the backbone of the social economy. As for other social economy organisations, they are part of the private sector and function as economic enterprises, yet their primary purpose is not profit maximisation (Social Economy Action Plan 2021). Instead, they prioritise social objectives and embed democratic governance into their organisational structure.

This **value-driven orientation** makes cooperatives distinctly impact-oriented enterprises (World Cooperative Monitor 2024). Cooperatives have also demonstrated strong resilience in times of crisis. Large national and multinational cooperative groups have operated successfully within the social economy for decades (Monzón & Chavez 2017) and responses during the COVID-19 pandemic illustrate their capacity to promote more inclusive and sustainable recovery models (Billiet et al. 2021). Their emphasis on participation, member needs and community welfare aligned closely with the values promoted by the UN 2030 Agenda (ICA 2021). In April 2023 the United Nations General Assembly Resolution on the Social and Solidarity Economy A/RES/77/281[2] was adopted by consensus to promote it as an inclusive economic model with '*social objectives based on solidarity and with people and the planet at the centre*'. This was followed by a new resolution adopted by the General Assembly on 19 December 2024 [A/RES/79/213] – Promoting the social and solidarity economy for sustainable development,[3] which emphasises the importance of the social and solidarity economy (SSE) in achieving the UN Sustainable Development Goals (SDGs). The resolution highlighted the role of the SSE in fostering inclusive growth, reducing inequalities, and promoting social cohesion. Their role is further highlighted in 2025, declared the United Nations International Year of Cooperatives. This global initiative reaffirms the positive contribution of cooperatives to sustainable development across economic, social and environmental dimensions.

SEDLEX adopts a **constructive focus on cooperatives**. The project considers cooperatives as active economic and social actors, situated at the intersection of economic activity and social ambition. Rather than observing societal challenges from the margins, cooperatives seek to transform markets and communities from within. Because of this embeddedness in value-driven business culture and their position within the market economy, cooperatives provide a relevant case for examining how ambitious, organisation-wide commitments to sustainability are implemented in practice. SEDLEX seeks to understand how these enterprises internalise sustainability goals and obligations, not only in response to external legal frameworks, but through their own specific governance systems and strategic choices.

2 Available at https://docs.un.org/en/A/RES/77/281

3 Available at https://unsse.org/2025/04/22/resolution-adopted-by-the-general-assembly-on-19-december-2024-a-res-79-21379-213-promoting-the-social-and-solidarity-economy-for-sustainable-development/

1.3 SEDLEX'S AMBITION

SEDLEX aims to demonstrate how the **governance models and sustainability strategies of cooperatives can inform the transition towards more sustainable economies**. By studying these examples, the project seeks to identify how cooperatives translate value-based principles into concrete actions and organisational practices that contribute to sustainability goals.

Understanding the interactions between the project's key concepts (cooperatives, corporate sustainability and due diligence, and social dialogue) is essential. The social economy, as embodied by cooperatives, represents a historically rooted organisational model that combines economic activity with social purpose and democratic values. In parallel, the evolving regulatory landscape around corporate sustainability and due diligence introduces legal and market-based expectations for companies to address social and environmental risks more proactively and transparently. Finally, social dialogue and organisational democracy ensure that sustainability is not solely shaped by managerial decisions, but also by the active participation of workers and other stakeholders.

SEDLEX places this interplay at the core of its research design. It investigates how these three elements reinforce one another in practice and how cooperatives integrate sustainability beyond mere compliance. By analysing this triangular relationship, the project aims to demonstrate the distinctive potential of the social economy to meet – and in some cases, exceed – EU due diligence standards through participatory governance and value-driven decision-making.

This research responds to the broader policy assumption that effective policy action requires a strong evidence base. Conducting detailed empirical studies is essential to understand the current landscape, and to identify both the strengths and the needs of those economic actors that can serve as levers for building more sustainable economic systems.

1.4 STRUCTURE OF THE REPORT

The report is structured to guide the reader through the analytical journey of the SEDLEX project. The following chapter outlines the **methodological approach**, detailing the research design, selection of sectors and case studies, and the data collection and analysis methods employed. Chapter 3 provides a **national and sectoral overview**, offering insight into how corporate sustainability and due diligence are addressed across different contexts. Chapter 4 **presents the findings** from the 14 case studies,[4] examining the governance structures of cooperatives, the role of social dialogue, and the strategies and actions implemented in relation to sustainability. It also highlights the challenges and opportunities encountered in this process. Chapter 5 draws together the **main findings**, discussing them in light of the project's hypothesis that cooperatives offer valuable examples for sustainable economic models and practices. The report concludes with a **summary of key insights** and a reflection on their implications for future policy development concerning sustainability and the social economy.

4 A 15th case exists but is not published and is not available for consultation.

02

Methodology

This report presents the final outcomes of the SEDLEX project, which ran from 1 November 2023 to 31 October 2025. It builds on extensive research conducted across five European countries – France, Germany, Italy, the Netherlands and Spain – and is based on the work of national experts who produced five country reports and detailed case studies on selected cooperatives. Together, these outputs constitute the empirical foundation of the analysis presented here. Additional insights were gathered from national and European events organised by the project. All related material is accessible via the project's website.[5]

2.1 SCOPE AND CASE SELECTION

The research focuses on three key sectors in each of the five target countries: financial services, wholesale and retail trade, and agriculture and food industries. One cooperative was selected per sector in each country, resulting in a total of 15 case studies.[6]

The **selection of countries and sectors** was guided by several criteria: geographical diversity, variation in industrial relations cultures, the presence or absence of national corporate sustainability due diligence frameworks, the existence of well-developed social economy ecosystems represented by large enterprises, and diversity in social economy business models and legal forms. The three sectors were chosen not only because they present distinct economic, social, environmental and governance challenges, but also because they are areas where cooperatives are both well-established and significant market players. These three sectors indeed include large cooperative organisations (World Cooperative Monitor 2024) which allows for a richer understanding of how cooperatives operate alongside major actors in their respective markets.

Within each sector and country, a preliminary list of large cooperatives was compiled. Experts then approached several of these organisations to invite them to participate in the study. The final selection was based on the willingness of cooperatives to engage with the research process.

2.2 DATA COLLECTION

The report draws on two primary data sources: the country reports and the case study reports. These were complemented by discussions and exchanges held during national and European-level SEDLEX events, which informed the general reflection underpinning the project.

The country reports offer a contextual overview of national approaches to corporate sustainability, due diligence and social dialogue. They are based on diverse sources, including documents from government ministries, national statistical agencies (e.g. the Federal Statistical Office in Germany), economic and social councils (e.g. the SER in the Netherlands), and umbrella organisations such as DGRV (Germany) and ESS France. In addition, the reports examine the relevant legislative and regulatory frameworks, academic research, and publications from professional associations, trade unions, employer organisations, and public institutions.

5 SEDLEX outputs can be consulted on the project webpage: https://www.diesis.coop/sedlex/

6 14 case studies are publicly available and discussed in this report.

The case studies focus on individual cooperatives organisations. They draw on internal company documents such as annual and sustainability reports, strategic plans, and codes of ethics, as well as information published on company websites. Where relevant, additional sources include sector-specific reports and independent analyses that help contextualise the practices of each cooperative. Each case study also includes semi-structured interviews with key actors. These include senior executives (such as CEOs, sustainability directors and HR managers), employee representatives (including works council members and trade union delegates), and, in some cases, operational managers or store owners. These interviews provided direct insight into the strategies pursued by cooperatives, the challenges they face, and the role of internal and external stakeholders in shaping their approaches to sustainability and due diligence.

2.3 DATA ANALYSIS

The analysis of data from both the country reports and case studies was carried out in two steps. First, thematic extraction was supported by the use of NotebookLM, an AI-assisted tool. This initial automated phase was followed by a manual review of each report to validate and enrich the findings. The thematic analysis followed the environmental, social and governance (ESG) framework. Originally rooted in sustainability and corporate social responsibility (CSR), the ESG concept emerged formally in 2004 with the "Who Cares Wins" initiative led by the UN Global Compact, the International Finance Corporation (IFC), and the Swiss Government (Knoepfel et al. 2009). ESG has since gained global traction, evolving from CSR by embedding non-financial risks and sustainability considerations directly into business strategy (Li et al. 2021).

Each ESG dimension captures specific, interrelated areas of responsibility (Ma et al. 2024):

- Environmental: how organisations manage their environmental impact, including carbon emissions, energy use, waste and resource management, pollution prevention, biodiversity protection, and circular economy practices;

- Social: how they engage with stakeholders, covering labour practices, worker welfare, diversity and inclusion, human rights, community engagement, and customer privacy and product responsibility;

- Governance: how organisations are managed and controlled, with attention to board structure and diversity, shareholder rights, anti-corruption policies, transparency, and ethical conduct.

2.4 PRESENTATION OF THE RESULTS

As outlined in the previous section, the analysis is based on the environmental, social and governance (ESG) framework, which provides a structured lens for assessing how organisations address sustainability. However, in the context of SEDLEX, this framework has been re-ordered as **Governance, Social, Environmental (GSE)** to better reflect the SEDLEX conceptual framework. This shift aligns the analysis with the organisational reality of cooperatives, where governance – rooted in democratic structures and member participation – constitutes the foundational dimension through which social and environmental commitments are shaped and operationalised. Accordingly, the presentation of results begins with the governance dimension, focusing on the specific internal structures and decision-making processes that reflect cooperatives' dual economic and social purpose. This includes an examination of democratic governance models, stakeholder involvement, and participatory mechanisms. The analysis then moves to the social dimension, which is closely connected to governance in cooperatives. Here, particular attention is given to the role of social dialogue and employee involvement. Finally, the environmental dimension explores how cooperatives manage their ecological responsibilities, including their investment in local territories and their efforts to reduce environmental impact in alignment with cooperative values. This **adapted GSE structure** ensures that the analysis supports the broader aim of SEDLEX to highlight the ways in which these enterprises enact sustainability from within – through embedded governance systems rather than as a response to external compliance pressures.

Throughout the research, the project adopts an *Appreciative Inquiry approach* (Whitney 1998). This **methodology focuses on identifying strengths and good practices** rather than deficits, aiming to highlight what works well within organisations. It frames sustainability efforts in terms of assets and opportunities, supporting institutional learning and change. This approach is particularly relevant in the SEDLEX context, where the goal is to identify and share examples that can inspire broader systemic transformation.

Finally, SEDLEX is limited in scope to cooperative organisations and does not extend to comparisons with other organisational forms or between different economic sectors. This means it does not, for instance, contrast the governance of cooperatives with that of non-cooperative enterprises, nor does it provide cross-sectoral analyses. The study relies primarily on qualitative data gathered through interviews and on information drawn from publicly available documents. While these sources offer valuable insights, they inevitably reflect the specific cases examined and cannot be considered representative of all cooperatives operating in all sectors. The research topic itself, the articulation of cooperative governance models with sustainability practices and the role of social dialogue, proved, at times, to be sensitive for interviewees, given that cooperatives operate within private and competitive markets and must be selective about the information they disclose publicly. The emphasis is therefore placed on exploring and understanding the particular governance systems that define cooperatives, and on analysing how these governance features shape their position and influence as distinctive actors within the broader economic landscape.

03 National corporate sustainability frameworks

This chapter presents an overview of national policy and regulatory frameworks shaping corporate sustainability and due diligence across five European countries: France, Germany, Italy, the Netherlands and Spain. It outlines national approaches to sustainability-related legislation and reporting, highlighting common trends, divergences, and the influence of EU-level initiatives.

This section is based on SEDEX country reports developed during the first half of 2024. Since then further developments have unfolded. It is for instance worth noting that on 14 April 2025, the EU adopted the "Stop-the-Clock" Directive, which postpones reporting and due diligence obligations for certain companies under the Corporate Sustainability Reporting Directive (CSRD), the Taxonomy Regulation, and the Corporate Sustainability Due Diligence Directive (CSDDD). Related developments at national level are also taking place, such as new draft bills in Germany and the Netherlands. However, these recent developments are not detailed in this report, where the focus is put on legal frameworks that are already established and implemented.

The growing global focus on corporate sustainability and responsible business conduct has prompted a gradual yet **significant evolution of policy and legal frameworks across European nations**. The influence of European Union (EU) institutions – particularly through directives such as the Non-Financial Reporting Directive (NFRD), the Corporate Sustainability Reporting Directive (CSRD), and the Corporate Sustainability Due Diligence Directive (CSDDD) – has played a pivotal role in shaping national approaches to sustainability reporting and due diligence. However, as explained in the previous section, the latest developments introduced by the *omnibus package* on the CSDDD have created new uncertainties regarding how this directive will be translated into national law. This section provides an overview of the development of legal and policy instruments in France, Germany, Italy, the Netherlands and Spain, with attention to national specificities and EU-driven harmonisation.

3.1 FRANCE

France has developed one of the most advanced and multifaceted legal frameworks in Europe for corporate sustainability, shaped by both domestic legislation and European Union directives (Thil, 2024).

The **Grenelle II Law** (2010) built on earlier environmental legislation and introduced comprehensive ESG (environmental, social, governance) reporting requirements for companies with more than 500 employees. However, a 2013 evaluation noted a watering down of its initial ambitions, particularly in relation to corporate social responsibility (CSR), with a shift from broad consultation processes to more restricted bilateral negotiations.
In 2015, **Article 173 of the Energy Transition Law** significantly broadened disclosure obligations by requiring institutional investors to report on how ESG criteria were integrated into their investment decisions. This provision aligned with the EU's Sustainable Finance Disclosure Regulation (SFDR). Nevertheless, a 2019 review found inconsistent quality

in disclosures, attributed to immature indicators and limited data availability.

The **Socially Responsible Investment (SRI)** label, established by decree in 2016, certifies financial products that combine economic performance with positive social and environmental impact. Its eligibility criteria and ESG performance indicators have been periodically updated, expanding the label's scope to various fund types and real estate assets.

A landmark development came with the **Duty of Vigilance Law** (2017), which made France the first country to mandate human rights and environmental due diligence (HREDD) obligations for large corporations (5,000+ employees in France). These firms must publish annual vigilance plans and take proactive measures to identify, prevent and mitigate human rights abuses and environmental harm across their operations and value chains. Enforcement can lead to court-ordered injunctions. Though the final version of the law was less stringent than that initially proposed – raising thresholds and dropping the reversal of the burden of proof – it was the result of over 15 years of NGO and trade union advocacy, catalysed by the 2013 Rana Plaza disaster. Implementation remains challenged by legal uncertainty, high litigation costs for civil society, and strategic lawsuits against public participation (SLAPPs).

The **PACTE Law** (2019) redefined corporate purpose by requiring companies to consider social and environmental impacts in their strategies. It also introduced the notion of a "raison d'être" (corporate purpose) for companies. However, as of 2023, relatively few companies had adopted this status, limiting the measurable impact of the reform.

Other instruments include the **Climate and Resilience Law** (2021), which reinforces the framework for non-financial reporting in coordination with the Energy Transition and PACTE laws.

Looking ahead, France is expected to further strengthen its regulatory environment in alignment with EU initiatives such as the **Corporate Sustainability Reporting Directive (CSRD)** and the EU Taxonomy Regulation, making sustainability a core element of corporate strategy.

3.2 GERMANY

Germany's approach to corporate sustainability has evolved significantly over the past decade, transitioning from a voluntary to a mandatory regime primarily in response to EU legislation (Nottenbohm, 2024).

Since 2017, large listed companies, as well as banks and insurance providers, have been required to prepare **non-financial statements**. These reports must address material environmental, social, employee-related, human rights, and anti-corruption issues, using international frameworks like the Global Reporting Initiative (GRI) and the German Sustainability Code (DNK).

The **Supply Chain Due Diligence Act** (Lieferkettensorgfaltspflichtengesetz – LkSG), in force since 2023 (initially for companies with 3,000+

employees, expanding to 1,000+ in 2024), obliges firms to identify, assess and manage risks across their global supply chains. Measures required include publishing a policy statement, implementing preventive and corrective actions, establishing grievance mechanisms, and issuing regular reports. However, the law notably does not provide for corporate liability in the event of non-compliance.

In March 2024, the government introduced a draft bill to transpose the **CSRD**, proposing direct incorporation of EU sustainability reporting requirements into national law. The bill also discusses amending the LkSG, potentially substituting its reporting provisions with those under the CSRD. Stakeholder reactions have been mixed: nonprofits and social cooperatives (represented by BAGFW) have voiced concerns over increased administrative burdens, while employee unions (DGB) called for full implementation of CSRD standards, including strong employee participation and recognition of working conditions as a core reporting area. DGB also criticised the proposed increase in company size thresholds and the exclusion of certain legal forms.

Germany has also maintained one of the longest-running independent evaluations of sustainability reporting through the **IÖW/Future ranking** (since 1994), supported by the Federal Ministry of Labour and Social Affairs. This initiative highlights the long-standing commitment of cooperatives and social enterprises to transparent ESG reporting.

3.3 ITALY

Italy's regulatory framework for corporate sustainability has grown incrementally and is strongly influenced by EU directives, while also reflecting the country's robust cooperative and nonprofit traditions (Sodano, 2024).

Italy has transposed key EU directives – including the NFRD, the SFDR and the Taxonomy Regulation – into national law. In parallel, domestic frameworks such as the **Circular Economy Package** and the **Corporate Governance Code** for listed companies promote sustainable business practices beyond EU mandates.

Efforts are currently under way to transpose the **CSRD** and the recently adopted **CSDDD**. In August 2024, parliament gave a favourable opinion on the draft legislative decree transposing the CSDDD, stressing the need to minimise burdens for large cooperatives and provide guidance for smaller ("sub-limit") cooperatives to ensure data comparability.

3.4 NETHERLANDS

The Netherlands initially embraced a voluntary, multi-stakeholder approach to corporate sustainability through sectoral agreements but is now shifting toward binding regulation (Pollet, 2024).

The **International Responsible Business Conduct (IRBC) policy** (2013) promoted voluntary agreements in high-risk sectors (e.g. gold, textiles, banking), coordinated by the Social and Economic Council (SER). Although these agreements helped identify and mitigate adverse impacts, a 2020 evaluation revealed low uptake – only 1.6% of eligible companies had joined – prompting a policy shift toward mandatory legislation.

A **Bill on Responsible and Sustainable International Business Conduct**, introduced in 2021 and amended in 2022, would impose HREDD obligations on large companies (meeting size or turnover thresholds). The bill provided for oversight by the Consumer and Markets Authority and enforcement through judicial sanctions. The Dutch draft law was amended to be better aligned with the CSRD (in force since 2023) and the CSDDD, adopted in June 2024. However, its adoption was indefinitely postponed by the new government in June 2024.

Separately, the **Child Labour Due Diligence Law** (adopted in May 2023) requires companies to investigate whether goods and services sold in the Dutch market are linked to child labour, and to implement due diligence procedures. This law may be incorporated into the broader HREDD legislation or aligned with the EU's CSDDD.

3.5 SPAIN

Spain's regulatory evolution in corporate sustainability accelerated post-2008, moving from voluntary disclosure toward more structured and mandatory frameworks (Barco Serrano, 2024).

The **Good Governance Code for Listed Companies**, first issued in 2008 and revised in 2023, serves as a key reference for corporate governance and sustainability. While aligned with the CSRD, the code has faced criticism for its limited treatment of human rights issues.

Law 11/2018 on Non-Financial and Diversity Information implements the NFRD, mandating ESG reporting for companies above a certain size threshold, and including topics such as climate change, gender equality, anti-corruption and human rights.

The **National Action Plan (NAP) on Business and Human Rights** (2017) reflects the UN Guiding Principles, providing voluntary guidelines for companies – particularly multinationals – to uphold human rights in global operations. Its lack of binding obligations and specificity has drawn critique.

Spain has developed broader sustainability strategies such as the **Integrated National Energy and Climate Plan (2021–2030)** and the **Spanish Circular Economy Strategy**, which promote emission reduction, renewable energy and waste management. While mainly focused on national implementation, these frameworks acknowledge global supply chain impacts.

The **2030 Agenda and Sustainable Development Goals (SDGs)** serve as a guiding framework for Spanish sustainability policy. Spain was also the first EU country to pass a Social Economy Law (2011), which has undergone multiple updates (2015, 2022, 2023). A new comprehensive bill to support the social economy was approved in October 2024.

A **draft bill on sustainability information**, presented in May 2024 to implement the CSRD, has been delayed due to national elections. In addition, various Spanish regions (e.g. Extremadura, Basque Country, Catalonia, Andalusia) have introduced their own CSR and circular economy policies, though these typically do not extend to global value chains.

04
Case studies analysis

4.1 CROSS-CASE INTRODUCTION

This chapter presents a thematic analysis of 14 cooperative enterprises selected across five European countries: France, Germany, Italy, the Netherlands and Spain. These cases span three strategically important sectors – **agriculture and food, retail and distribution, and financial services** – offering a representative cross-section of cooperative activity in the European economy. Despite the diversity in their national settings, legal frameworks and operational contexts, these cooperatives share a common foundation in the cooperative model, particularly around democratic governance, stakeholder participation, and long-term commitments to sustainability.

The case studies include a **variety of cooperative forms**, such as first-degree producer and consumer cooperatives, agricultural cooperatives, federated banking groups, and labour-focused cooperatives. Most are member-driven (and in some cases owned by the employees), with membership comprised of farmers, consumers, workers, or local cooperative entities. This structural diversity allows for different expressions of cooperative principles depending on the sector, size and national legal environment in which they operate.

The agri-food sector is represented by dairy cooperatives (DMK in Germany[7], Sodiaal in France[8]), a vertically integrated cooperative (COVAP in Spain),[9] a labour-supply cooperative (AB Midden Nederland in the Netherlands)[10] and an agricultural producers' organisation (COVALPA in Italy).[11] In retail and wholesale, consumer-oriented cooperatives such as Biocoop (France).[12] Coop Alleanza 3.0 (Italy),[13] Eroski (Spain),[14] AGRAVIS (Germany)[15] and Intergamma (Netherlands)[16] illustrate different approaches to value chain governance and stakeholder engagement. The financial services

7 Markmann, M. and Schur, A. (2025a). Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Agricultural and food industries – Deutsches Milchkontor eG. Diesis Network. Available at https://www.diesis.coop/sedlex/

8 Thil, L. (2025b). Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Agricultural and food industries – Sodiaal. Diesis Network. Available at https://www.diesis.coop/sedlex/

9 Barco Serrano, S. (2025b). Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Agricultural and food industries – COVAP. Diesis Network. Available at https://www.diesis.coop/sedlex/

10 Pollet, I. (2025). Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Agricultural and food industries – AB Midden Netherland. Diesis Network. Available at https://www.diesis.coop/sedlex/

11 Sodano, P. (2025c). Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Agricultural and food industries – COVALPA. Diesis Network. Available at https://www.diesis.coop/sedlex/

12 Thil, L. (2025c). Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Wholesale and retail trade – Biocoop. Diesis Network. Available at https://www.diesis.coop/sedlex/

13 Sodano, P. (2025a). Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Wholesale and retail trade – Coop Alleanza 3.0. Diesis Network. Available at https://www.diesis.coop/sedlex/

14 Barco Serrano, S. (2025a) Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Wholesale and retail trade – EROSKI. Diesis Network. Available at https://www.diesis.coop/sedlex/

15 Markmann, M. and Schur, A. (2025c) Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Wholesale and retail trade – AGRAVIS Raiffeisen AG. Diesis Network. Available at https://www.diesis.coop/sedlex/

16 Guisset, A. (2025) Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Wholesale and retail trade – Intergamma. Diesis Network. Available at https://www.diesis.coop/sedlex/

sector includes a range of cooperative banking models – GLS Bank (Germany),[17] Cajamar (Spain),[18] UpCoop (France)[19] and Unipol (Italy)[20] – highlighting the sector's growing role in sustainable finance and social inclusion.

These cooperatives operate under a **range of legal forms** that reflect national traditions and regulatory frameworks. While many retain the formal cooperative status recognised in national law – such as COVAP, DMK and Sodiaal – others have evolved into hybrid or mixed legal forms. For example, Biocoop operates as a *société anonyme à conseil d'administration* (a public limited company with a board of directors), while also incorporating cooperative elements and transitioning toward *entreprise à mission* status. Similar transitions are seen in UpCoop, which has adopted entreprise à mission legal form, and in Coop Alleanza 3.0 and Unipol in Italy, where constitutional statutes have formalised sustainability commitments. At the other end of the spectrum, large multi-activity groups such as AGRAVIS (Germany) and AB Midden Nederland (Netherlands) are structured as holding companies or public limited companies, but with cooperative features embedded in their governance.

The **size and geographical scale** of these cooperatives also vary considerably, from local and regionally embedded cooperatives like AB Midden Nederland and COVALPA to large national and international groups such as Eroski or UpCoop. Scale has important implications for governance, strategy and sustainability practices. Larger cooperatives often adopt decentralised, federated structures that allow for local autonomy within a broader strategic and governance framework. This enables them to manage operational complexity while preserving participatory governance.

Taken together, these 14 case studies offer valuable insights into how cooperatives adapt their governance, legal frameworks and sustainability priorities to their respective contexts – while remaining anchored in shared cooperative values. Table 2 provides an overview of the key features of each case, including country, sector, legal form, founding year and stated mission.

The remainder of this chapter builds on the comparative perspective introduced here, examining the 14 cases through the lens of the governance, social, environmental (GSE) framework, as outlined in the methodology.

17 Markmann, M. and Schur, A. (2025b) Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Financial sector – GLS Gemeinschaftsbank eG. Diesis Network. Available at https://www.diesis.coop/sedlex/

18 Barco Serrano, S. (2025c) Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Financial sector – Grupo Cooperativo Cajamar. Diesis Network. Available at https://www.diesis.coop/sedlex/

19 Thil, L. (2025a) Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Financial sector – UpCoop. Diesis Network. Available at https://www.diesis.coop/sedlex/

20 Sodano, P. (2025b) Sustainable Economies Due diLigence: good EXamples and the role of social dialogue – Case study – Financial sector – Unipol. Diesis Network. Available at https://www.diesis.coop/sedlex/

TABLE 2. SEDLEX 14 CASE STUDIES OVERVIEW

Case study	Country	Sector	Legal form	Year of Establishment	Mission
UpCoop	France	Financial	SCOP & entreprise à mission	1964	Providing payment and service solutions globally, it is 100% employee-member owned, ensuring democratic governance, profit-sharing and reinvestment.
Biocoop	France	Organic Retail	Cooperative & entreprise à mission	1986 (formed by the unification of 50 consumer cooperatives in the 1970s)	Leading cooperative network for distributing organic, fair-trade and local products, Biocoop reinvests its profits in its mission of sustainability and ethical trade, with democratic governance involving retailers, producers and consumers.
Sodiaal	France	Dairy	Agricultural cooperative	In 1964 as a merger of six regional dairy cooperatives	France's largest dairy cooperative, it vertically integrates milk production to distribution, redistributing profits fairly to members and investing in sustainable dairy farming, environmental initiatives and ethical governance.
COVAP	Spain	Agri-food	Agrifood cooperative	1959	Agrifood cooperative engaged in animal feed, meat processing and dairy products, it organically integrates sustainability across its value chain and significantly contributes to rural development.

Case study	Country	Sector	Legal form	Year of Establishment	Mission
Grupo Cooperativo Cajamar	Spain	Financial	Cooperative banking group	1966, then Grupo Cooperativo Cajamar formed in 2009	Cooperative banking group deeply rooted in financial services for sustainable agricultural development and rural areas.
Eroski	Spain	Retail	Consumer-worker coop	In 1969 with pivotal expansion beyond its original territory from the late 1990s	Retail distribution group, structured as a consumer-worker cooperative, it balances worker and consumer interests through democratic participation, strong local supplier relationships, and proactive adoption of sustainable practices to make quality food accessible.
DMK	Germany	Dairy	Dairy cooperative	2011, from merger of Humana and Nordmilch	Germany's largest dairy cooperative, it is committed to purchasing all milk from its 4,000 member farmers and implements a "Vision 2030" sustainability strategy focused on climate protection, animal welfare, and biodiversity.
GLS Bank	Germany	Financial	Cooperative	1974	Cooperative bank focusing on financing projects with social and ecological impact, prioritising purpose over profit and embedding sustainability in its investment decisions.
AGRAVIS	Germany	Retail	Public limited company	2004 from a merger of two Raiffeisen cooperatives	Large agricultural trading company, it operates as a central cooperative deeply rooted in cooperative principles for value-driven management and sustainable development.

Case study	Country	Sector	Legal form	Year of Establishment	Mission
AB Midden Nederland	Netherlands	Agri-services	Cooperative	Created as offshoot of the cooperative AB in the 1950s	Cooperative that provides temporary staff, primarily for agriculture, ensuring fair contracts and sustainable housing for its workers.
Intergamma	Netherlands	Retail	Franchise organisation	1971	Franchise cooperative in the DIY retail sector, it governs its brands to unify strategy and procurement for its franchisee-members while proactively embracing sustainability as a core, purpose-driven mission.
Coop Alleanza 3.0	Italy	Retail	Società Cooperativa	2016, from the merger of Coop Adriatica, Coop Consumatori Nordest and Coop Estense	Sustainability as the core, inspired by fundamental values such as freedom, democracy, social justice and solidarity.
COVALPA	Italy	Agriculture	Cooperative	1994	Retail distribution cooperative emphasising quality, sustainability and social responsibility, promoting local products and serving the community with democratic governance.
Unipol	Italy	Financial	Società per Azioni (S.p.A.)	1963	Major insurance group controlled by cooperative shareholders. ESG principles are integrated into its business strategy, with primary focus on the “social” with core strategy to understand, manage and monitor impacts, risks and opportunities related to ESG issues.

Across the 14 cooperative case studies, sustainability strategies are shaped by a wide array of frameworks, ranging from voluntary frameworks to binding “hard laws”. These frameworks influence how cooperatives integrate environmental, social and governance (ESG) principles into their operations and long-term planning.

Voluntary frameworks, or “soft laws”, play an essential role in shaping the cooperative approach to sustainability. While not legally binding, they reflect a proactive stance and alignment with globally recognised standards taken by private economic players. Their adoption highlights cooperatives’ commitment to values such as solidarity, transparency, and democratic governance – often going beyond regulatory compliance.

- **UN Global Compact & Sustainable Development Goals (SDGs)**:
  Several cooperatives in the sample align their missions and strategies with the UN’s sustainability agenda. Eroski and UpCoop adhere to the UN Global Compact, using its ten principles to guide their ethical and sustainability efforts. Cajamar aligns itself explicitly with the SDGs and the Paris Agreement. Unipol’s strategic plan is similarly informed by the SDGs – particularly Goals 12 (Responsible Consumption), 13 (Climate Action), 14 (Life Below Water), and 15 (Life on Land). COVALPA explicitly aligns itself with SDG 8 (Decent Work and Economic Growth), reflecting a strong focus on labour standards.

- **Global Reporting Initiative (GRI):**
  The GRI Standards support transparent and structured reporting of ESG performance. DMK applied the GRI 2021 Standards for the first time in its latest sustainability report. Coop Alleanza 3.0’s 2023 report is also GRI-aligned. Cajamar, GLS Bank and COVALPA similarly use GRI frameworks to enhance data transparency and reliability.

- **Science-Based Targets Initiative (SBTi):**
  SBTi offers companies a pathway to align their emissions reductions with the Paris Agreement. DMK and Sodiaal are both part of this initiative, with Sodiaal aiming to reduce emissions by 30% by 2030. Intergamma has committed to halving its CO_2 emissions by 2030 and reaching net zero by 2050, with targets validated by SBTi.

- **EcoVadis, Sustainalytics & other ESG ratings:**
  External ESG ratings provide benchmarking tools for transparency and performance evaluation. UpCoop has received a gold EcoVadis rating. Biocoop scored 89% on its CSR maturity in an Ecocert 26000 evaluation. Cajamar was named among the 2025 ESG top-rated companies by Sustainalytics. AGRAVIS and Unipol also use ESG ratings to validate and improve their sustainability performance.

While voluntary initiatives support value-driven strategies, legal and regulatory frameworks provide structured obligations. Many of the cooperatives examined are subject to – or are proactively preparing for – compliance with the EU’s evolving corporate sustainability regulations.

- **Corporate Sustainability Reporting Directive (CSRD):**
  The CSRD requires companies to disclose sustainability-related impacts and risks. Several cooperatives are already reporting under the CSRD or preparing to do so:
  - *Coop Alleanza 3.0* has partially aligned its sustainability reports with CSRD and sees reporting as a strategic performance tool;
  - *DMK* will report under CSRD from 2025 and has completed a double materiality assessment;
  - *UpCoop*, subject to CSRD (including non-EU subsidiaries), embeds sustainability into its legal governance structure as an "entreprise à mission";
  - *GLS Bank* already meets CSRD standards and integrates frameworks such as GRI, the Economy for the Common Good, and the r3.0 Reporting Blueprint;
  - *AGRAVIS* is conducting double materiality analyses to prepare for CSRD compliance.

- **Corporate Sustainability Due Diligence Directive (CSDDD):**
  CSDDD mandates human rights and environmental due diligence across value chains:
  - *Eroski* has practices largely aligned with CSDDD requirements;
  - *Unipol* incorporated ESG strategy well before CSDDD and regularly publishes transparent due diligence reports.

- Other EU Regulatory Frameworks:
  - *EU Taxonomy Regulation* (2020/852): Cajamar incorporates the taxonomy to guide and classify sustainable economic activities in its reports;
  - *EU Code of Conduct on Responsible Food Business*: Coop Alleanza 3.0 is a signatory, supporting sustainable food systems;
  - *EU Deforestation Regulation (EUDR)*: AGRAVIS is preparing for compliance using the QS-Sojaplus standard to ensure deforestation-free soy in its supply chain.

This range of frameworks illustrates the evolving regulatory and normative environment in which cooperatives operate, as do other economic actors. Rather than viewing these obligations as a compliance burden, many of the case studies integrate them as part of their broader mission-driven strategy.

The next sections of this chapter apply the governance, social, environment analytical framework to the 14 case studies conducted. The chapter ends (section 4.5) with an overview of challenges faced by the cooperatives in combining their economic activities with cooperative and sustainability principles.

4.2 GOVERNANCE

This section on cooperative governance is organised to first introduce the foundational principles and overall governance designs common across the cooperatives studied. It then explores specific governance models, **highlighting multi-level structures, employee ownership and stakeholder inclusion**. Throughout, it draws on detailed examples from the case studies to illustrate how democratic decision-making, member participation and sustainability commitments are embedded in governance frameworks.

4.2.1 Governance design in cooperatives and sustainability integration

Cooperative governance models emphasise shared ownership, democratic decision-making, and a strong commitment to stakeholder interests, extending beyond mere profit. By doing so, cooperatives offer organisational alternatives to conventional corporate structures. This foundational difference often translates into a proactive approach to corporate sustainability and sustainability. The 14 case studies illustrate how these principles are put into practice, revealing a **diverse range of representation mechanisms that also integrate sustainability approaches**. In terms of governance design, most cooperatives maintain structures such as general assemblies, supervisory boards, member councils, and stakeholder committees, that facilitate broad participation. Many cooperatives apply the principle of "one member, one vote", ensuring that decision-making is based not on capital contribution but on democratic representation. However, the implementation of democratic governance varies across the cases. Some cooperatives apply dual models of representation, integrating both worker and consumer voices, while others incorporate employee ownership and parity representation on key governance bodies such as supervisory boards. Cooperatives, by their nature, often embed corporate sustainability into their governance through various structural and procedural strategies. These strategies reflect democratic participation and value-driven decision-making while balancing economic viability with social and environmental responsibilities. These commitments are often in place before legal sustainability requirements, highlighting foundational values and member-driven structures.

Several cooperatives **integrate sustainability and ethical principles** into their legal status and mission statements, which are in turn reflected in governance. They formalise sustainability through dedicated governance bodies and formal policies. Cajamar, for example, has specialised committees addressing sustainability and ethical management, complemented by a sustainability policy, an ethical management system, and a code of conduct. Biocoop reinvests its profits in its mission of sustainability and fair trade rather than distributing them to external investors. It ensures that ethical and environmental considerations remain central through a cooperative charter. Similarly, Coop Alleanza 3.0 centres sustainability as a core mission reflected in daily actions, with governance designed to foster member participation and transparency. GLS Bank explicitly states in its articles of association that its purpose is not profit-making but promoting its members economically, socially, legally and culturally. According to the articles, "*anyone who deposits money with GLS Bank does so primarily with regard to the financial needs of other members and in order to balance the overall budget of all members in the interests of the economy.*" This profound integration of members reflects the bank's commitment to sustainability as part of its identity.

4.2.2 Member-driven governance structures including strong employee representation

All cases feature member-driven governance rooted in democratic control and shared value creation. Some highlight **employee ownership** as a key governance component, while others incorporate franchise or hybrid elements to respond to market demands and expansion. Many cooperatives strongly centre governance on their members – Sodiaal, COVAP, DMK, Biocoop and Cajamar exemplify this member-driven approach. Members including farmers, customers and clients participate directly in governance through general assemblies, elected boards or regional councils.

Sodiaal, France's largest dairy cooperative owned by over 15,000 farmers, applies a "one member, one vote" system at all levels. Its governance includes regional sections, local councils, a national board predominantly of elected farmers, and an executive committee led by a CEO accountable to the board. COVAP combines a three-body model with a general assembly, a board including a rotating worker representative, and a management committee for daily operations, guided by a "360-degree model" considering the entire value chain from producers to distributors.

Cajamar, in the financial sector, applies these principles on a larger scale. It engages members and employees through surveys and an elected works council. These cases demonstrate that despite large scale and growth, cooperative accountability to members and communities remains vital and feasible.

Many cooperatives **integrate members and employees directly into their governance structures.** Biocoop, for instance, has a diverse board of directors including store owners, employees and organic producers. COVAP includes a worker representative on its governing board, rotating to ensure broad representation across business areas. DMK's supervisory boards feature parity representation, with employees electing half of the members. Eroski has equal representation of worker and consumer members on its general assembly and governing council. UpCoop renews its board entirely through employee elections every four years. UpCoop, as a société coopérative et participative (SCOP) and 100% employee-owned, clearly exemplifies full employee ownership. All workers gain co-ownership and voting rights after one year, elect representatives to the board, and participate in strategic decision-making and profit distribution. Quarterly employee assemblies discuss strategy and initiatives, further reinforcing ownership and accountability. UpCoop also invests heavily in training (84% training access rate in 2023) to empower governance participation and align strategy with its mission.

Other cooperatives adopt **partial employee ownership.** Sodiaal launched an employee shareholding initiative in 2020, with nearly 26% of eligible employees becoming cooperative members by 2023. Participation is voluntary but aims to foster engagement and align employees with the cooperative mission. Eroski and Cajamar combine ownership with structured participation: at Eroski, employees are full members alongside consumers with equal governance rights, which balances worker and consumer interests equally, with a social council focused on labour matters. Salary policies and working conditions are democratically decided. Cajamar, a consumer cooperative, reports many employees as members.

Some models emphasise **governance participation without ownership.** DMK's parity supervisory boards have half their members elected by employees. GLS Bank's "circle of trust" involves employees in board elections and planning, providing influence on strategic oversight despite no direct capital ownership. In Unipol, strategic decisions are shaped by a union pact among consumer and worker cooperatives, especially Legacoop. All three major trade unions sit on the board, and employees participate through regional councils, ensuring cooperative principles are well embedded in the governance.

4.2.3 Multi-level governance models

While rooted in democratic and representative principles, some cooperatives operate **hybrid or franchise structures** where ownership and control are shared between cooperatives and franchisees or subsidiaries, challenging the maintenance of core cooperative values across the chain. AGRAVIS, majority-owned by cooperatives, exemplifies multi-level governance with a primarily cooperative shareholder base. In the agri-food sector, Sodiaal, COVAP and DMK show hybrid governance involving regional subsidiaries, international branches or joint ventures. Sodiaal operates franchises in 40 countries while maintaining its cooperative identity. DMK operates a joint ownership between two national cooperatives (DMK eG and DOC Kaas U.A.) as a shared GmbH subsidiary. These models illustrate the balance cooperatives seek between market competitiveness and foundational cooperative values.

4.2.4 Stakeholder inclusion and community impact

Stakeholder inclusion in cooperative governance extends beyond formal ownership by integrating diverse perspectives from employees, customers, suppliers and local communities. This fosters collective responsibility and builds trust, holding cooperatives accountable for economic actions and impact while creating value for all stakeholders, not just shareholders.

GLS Bank exemplifies deep stakeholder inclusion with a governance model committed to **socio-ecological impact** and "purpose before profit." It engages employees through a "circle of trust" with significant rights including disciplinary approvals, participation in hiring, and organisational change involvement. The committee also influences salary policy considering individual life situations. Although not all customers are members, members influence direction through a "one person, one vote" general assembly.

UpCoop's 100% employee ownership reinforces participative decision-making and shared value creation. The cooperative is mission-driven with social and environmental goals legally embedded and overseen by a mission committee including employees and external stakeholders.

At Eroski, over 1.3 million consumer members actively participate in governance. External stakeholders like suppliers are involved through the Local Supplier Support Programme, which provides technical assistance to small local producers.

4.2.5 Conclusion: diversity of governance mechanisms in cooperatives

The best cooperative governance examples demonstrate deeply embedded democratic structures, **proactive engagement of wide stakeholder representation**, and explicit integration of stakeholder input into strategic and sustainability decisions. Corporate sustainability in these social economy enterprises often begins with strong mission statements translating into board oversight of environmental, social and governance (ESG) factors.

Corporate sustainability is not merely compliance but core to cooperative identity and strategy. Most cases proactively integrate sustainability in governance frameworks. Recurring features include formal mission or sustainability strategies, such as UpCoop's status as an entreprise à mission and COVAP's integrated "360-degree model". Dedicated governance mechanisms ensure sustainability is monitored and enforced, for example DMK's ESG Board under its "Vision 2030" strategy, Eroski's sustainability committee and ethical management manual, and Cajamar's ethical policies.

4.3 SOCIAL

The social dimension of the ESG framework is fundamentally intertwined with the cooperative identity, manifesting itself through robust social dialogue, a strong commitment to employee well-being, and meaningful community engagement. These elements are not merely corporate social responsibility initiatives but are structurally embedded in the governance and operations of the cooperatives examined.

4.3.1 Social dialogue in cooperative governance

Social dialogue serves as a critical mechanism for shaping working conditions, ensuring economic competitiveness, and promoting social cohesion. Institutionalised bodies for worker representation, such as works councils, are prevalent across the cases. In several instances (e.g. UpCoop, Eroski, DMK), **trade unions are directly integrated into governance structures**, elevating social dialogue to a core component of the cooperative model.

The Spanish cooperative Eroski exemplifies this integration with its unique governance model that balances worker and consumer interests. A dedicated social council addresses labour matters, and key decisions like salary policies are determined democratically. This participatory approach has enabled the cooperative to navigate significant challenges, such as the 2008 financial crisis, by collectively agreeing on solutions like salary adjustments and capital contributions. The institutionalisation of dialogue is further evidenced by Eroski holding over

130 meetings with trade unions and works councils in 2023, resulting in 41 agreements, including a strategic "expansion contract" to support generational renewal and skills development. Similarly, other cooperatives have structurally embedded social dialogue. UpCoop, for instance, includes representatives from three national trade unions on its board of directors. Unipol follows a similar model, integrating the trade unions representatives into its board and regional councils to foster continuous dialogue on improving working conditions. This direct representation ensures that social and sustainability concerns are addressed at the highest levels of governance.

However, challenges in maintaining consistent social dialogue can arise, particularly during periods of rapid growth or decentralisation. The French cooperative Biocoop, for example, faced labour practice inconsistencies and strikes in 2021 due to a lack of standardised union representation across its expanding network. This highlights the importance of adapting social dialogue mechanisms to an organisation's scale and operational context to prevent stakeholder alienation.

4.3.2 Employee well-being and fair labour practices

Cooperatives consistently **prioritise employee well-being and fair labour practices**, often exceeding national averages and legal requirements. This commitment is reflected in several key areas:

- **Job security** and fair compensation: Many cooperatives prioritise converting temporary employment into permanent contracts. For instance, AB Midden Nederland provides permanent contracts to 50% of its temporary workforce, 4% above the national average. Biocoop gives permanent contracts to 75% of its employees. Furthermore, cooperatives like Biocoop strive for equitable pay structures, with a salary ratio of 1:5 between the lowest and highest earners, and starting salaries in some stores that are 10% above the minimum wage;

- **Training policies**: Investing in employee skills and professional development is a common practice rooted in cooperative principles. Coop Alleanza 3.0 has a corporate university that provided 75,000 hours of occupational health and safety training and 125,000 hours of managerial and technical training in 2023. Similarly, Eroski, Biocoop and COVAP all invested significant hours in employee training. UpCoop is particularly notable, with 84% of its employees accessing training programmes in 2023, which also prepares them for governance participation;

- **Welfare and work-life balance**: Cooperatives offer comprehensive welfare services and promote work-life balance. Unipol provides its employees with pension funds, preventive healthcare, flexible hours and additional leave. UpCoop allocates a minimum of 25% of its profits as employee bonuses and established a solidarity fund for those in financial need. Its commitment is further demonstrated by having implemented a 35-hour work week a decade before it became a legal requirement in France;

- **Diversity and inclusion**: Gender equality and diversity are actively promoted. Coop Alleanza 3.0's "Close the gap" campaign and its pursuit of gender equality certification are notable. The cooperative also boasts a 97.9% return-to-work rate for new mothers. UpCoop's workforce is 55% women, and nearly 8% of its employees are people with disabilities, reflecting a strong commitment to diversity.

4.3.3 Community engagement and social impact

The cooperative identity extends beyond internal operations to embed social cohesion, local development and community education into core activities. This approach **integrates community well-being** into the cooperative's strategic mission. It encompasses:

- Addressing financial and social exclusion: Financial cooperatives like Cajamar address financial exclusion in underserved rural areas, with over half of its service points located in municipalities with fewer than 5,000 inhabitants. Through financial literacy campaigns in schools, Cajamar engages over 57,000 young participants, addressing economic vulnerability over the long term. Similarly, COVAP focuses on youth education and agriculture through programmes like "Diviértete con COVAP" and "Copa COVAP," which use sports and nutrition to promote health and foster a positive image of the agricultural sector;

- Territorial development and cultural transformation: Unipol's engagement with the Italian Alliance for Sustainable Development highlights its role in broader societal issues. The cooperative's sponsorship programme supports cultural heritage, environmental protection and scientific research. A key initiative, "Dolce Aspirino," combines sustainable agriculture, biodiversity, and the fight against organised crime in vulnerable regions, demonstrating how cooperatives can contribute to territorial development and social justice;

- Responsible supply chains: Community commitment also extends to the supply chain. AGRAVIS, for example, requires its suppliers to sign a code of conduct that includes human rights and the principle of "empowerment before withdrawal", ensuring ethical sourcing and social responsibility throughout its network, following due diligence principles.

4.4 ENVIRONMENT

Finally, the environmental dimension of the ESG framework is a critical component of cooperative sustainability strategies. The cooperatives examined in this report demonstrate a **proactive approach** to environmental management, integrating ecological stewardship into their operational practices and long-term vision. This section analyses the diverse strategies employed by cooperatives to address environmental challenges. It is structured around three key areas: first, the institutionalisation of environmental responsibility through dedicated governance and management systems; second, the strategic focus on reducing climate impact, including initiatives related to energy, emissions and waste; and third, the implementation of practices for biodiversity protection and circular economy models. This holistic approach illustrates how cooperatives are uniquely positioned to balance economic viability with ecological responsibility.

4.4.1 Methane and GHG Reduction

DMK and Sodiaal, both in the dairy industry, being aware of the significant role of the industry in climate change due to methane emissions, have implemented **programmes for reducing GHG emissions, but also carbon emissions**. DMK aims to reduce CO_2 emissions in its value chain by at least 20% by 2030. Their Milkmaster programme is another way the company aims to promote environmental and climate protection. It incentivises farmers to adopt sustainable production practices and implement emission-reducing techniques. It is also testing innovative, low emission solutions through pilot projects such as "Net Zero Farm", through which the knowledge gained is converted into broader concepts and standards.

Similarly, Sodiaal aims to cut its overall carbon emissions by 30%. It uses an approach of rewarding farmers for environmentally responsible practices called the Sustainability Bonus. Through this, the company has already achieved a fivefold reduction in GHG emissions per litre of milk since 2019.

AGRAVIS, also in the agriculture industry, is actively addressing climate protection and aims to meet the 1.5-degree target of the Paris Agreement. It uses GHG accounting tools based on those of the Intergovernmental Panel on Climate Change (IPCC) to reduce its emissions. It has also launched a very effective project aimed at producing baking wheat with low emissions, which in 2024 increased tenfold, supplying flour for around 25 million loaves and saving up to 20% of CO2 per ton of wheat.

Financial cooperatives, such Cajamar, extend their effort by addressing GHG emissions through their financial portfolios. For instance, Cajamar uses ESG risk screening in its lending practices by identifying carbon leakage and physical climate risks in its portfolio. Almost 25% of its activities contribute to climate mitigation and it has reduced its own emission by 87% since 2014.

4.4.2 Renewable energy use

The use of **renewable energy** is not only seen as a **cost-saving approach** in the long term but also an **investment** as part of responsible and long-term resilience strategies. Many of the cases see the transition to the use of renewable energy as core strategic priority, proving this by applying it across their spaces, operations, and supply chains.

Several cooperatives, including AB Midden Nederland, DMK, COVAP and Sodiaal, have directly invested in either **photovoltaic systems, biogas units, or biomass heating.** For example, AB Midden Nederland, which provides housing for its temporary staff, heats them largely using solar panels and hybrid heat pumps. It aims for 50% of its own homes to be heated by solar panels by the end of 2026. Also, its 375 vehicles will be fully electric by the end of 2026, which should result in a 25% decrease in CO_2 emissions from their 2023 levels. Notably, Cajamar has achieved 100% renewable energy usage since 2018, demonstrating its significant environmental commitment. Moreover, Intergamma also reports using high levels renewable energy, with nearly 85% of electricity used in its offices being from renewable resources. More importantly, it has embedded sustainability into its operations with customers. As a DIY retail cooperative, it promotes energy-efficient products such as energy efficient insulation and sustainable paints. It is also experimenting with services such as repair studios that promote sustainability, circularity and reduction of consumption and waste.

4.4.3 Circular economy and water use

Cooperatives are also **increasingly incorporating circular economy principles and water use management across sectors**. Many incorporate them as core components of their environmental strategies, integrating them into product design, operational logistics, procurement and stakeholder collaboration.

Several case studies show a shift towards more **circularity**, creating value from materials that would otherwise go to waste, in addition to minimising waste. A consistent observation is the adoption of strategies that extend product lifespan, reduce single-use materials, and encourage reuse.

For example, Biocoop and Intergamma focus on strategies targeting consumer behaviour and product lifecycle extension. Biocoop intends that 50% of its products will avoid single-use packaging by 2025. As mentioned above, Intergamma promotes circularity by offering repair services for customers in its repair studios.

Moreover, **waste management** is an important part of circular economy approaches. Many of the cooperatives are aware of this, and demonstrate their efforts through different initiatives. COVAP has achieved “zero waste to landfill” certification and 95% waste valorisation through its waste management. Similarly, Coop Alleanza 3.0 includes the reduction and valorisation of waste within its circularity logistics. This initiative is part of its environmental objectives under the EU Code of Conduct in Responsible Food Business and Marketing Practices. Unipol is partnering with Ogyre, which focuses on marine litter recovery. Together, they are reintroducing waste collected by fishermen into the production process through a circular economy model.

Water use and conservation are particularly important and are incorporated in the operations of agriculture and food production as these sectors are highly dependent on water resources. The cooperatives in these sectors are adopting a mix of technological, operational redesign, and regenerative practices.

Examples like DMK’s cow water recycling and COVAP’s zero-discharge water treatment system show a shift toward closed-loop systems, where water is not just conserved but reintegrated into the value chain. This also reflects circularity efforts by the cooperatives and illustrates how water can be both a resource and a material.

Technological transitions are also an integral part of water use management. For example, Cajamar has pioneered in water conservation by developing and implementing drip irrigation and smart irrigation systems. Through these it has achieved up to 25% water savings. Similarly, COVALPA has significantly reduce water use by implementing drip and low-pressure irrigation systems for several of its crops. Moreover, several cooperatives set targets to **reduce their water use.** For instance, Sodiaal aims to reduce its water consumption by 40% across its production sites by 2030 by optimising production processes and implementing advanced technologies for water waste. Additionally, Unipol, through its "Dolce Asprinio" projects, aims to halve its water use in wine cultivation through minimum tillage techniques. Notably, Eroski is actively looking for water management solutions with suppliers and third-party experts by examining environmental sustainability in specific agriculture sectors.

The analysis of the environmental dimension reveals a robust and multifaceted engagement with **ecological sustainability** across the cooperative organisations. From the **top-down** integration of environmental committees and certified management systems to the **bottom-up** implementation of energy efficiency and circular economy practices, these cooperatives are actively institutionalising their commitment to the planet. While the scale and scope of these initiatives vary, a common thread is the strategic alignment of environmental goals with core cooperative principles, such as long-termism and intergenerational responsibility. The examples provided demonstrate that cooperatives are not merely responding to external pressures but are proactively innovating to reduce their climate impact, protect biodiversity, and create more resilient, sustainable business models. This proactive stance positions cooperatives as key players in the transition to a greener economy.

4.5 CHALLENGES

This section addresses the **multifaceted challenges** faced by cooperatives in prioritising, designing and implementing robust sustainability and due diligence practices within the ESG framework. These difficulties are twofold: they include both common challenges shared with other economic actors, such as market competition, economic pressures, and supply chain complexity, and those more specific to the cooperative model. The latter category encompasses issues related to maintaining democratic principles during scaling, preserving cooperative identity, and ensuring consistent stakeholder engagement across diverse and often decentralised structures. The analysis is structured to first examine sector-specific challenges within financial services, wholesale and retail trade, and agriculture, before addressing broader challenges that cut across all sectors and those inherent to the cooperative model itself. This approach aims to provide a comprehensive understanding of the obstacles cooperatives must navigate to fully realise their sustainability ambitions.

4.5.1 Sectoral challenges

Financial services

The financial services sector is marked by stringent regulatory oversight and concentration among a few dominant commercial banks. Despite this, cooperative banks maintain a strong footprint in several countries, especially in decentralised banking systems. These institutions often serve local or regional markets and prioritise long-term value creation over short-term shareholder returns.
The sector faces mounting pressure from digital transformation, regulatory reforms, and the integration of ESG criteria into risk and lending frameworks. Financial actors are increasingly expected to align capital allocation with climate goals and human rights standards. However, their inclusion under emerging due diligence regulations, such as the CSDDD, has sparked controversy. Concerns centre on the potential exposure to civil liability, the complexity of tracing indirect impacts through investment portfolios, and the compatibility of due diligence obligations with financial risk models.

From a social perspective, the transition to digital-only services risks exacerbating financial exclusion, especially for rural, elderly and digitally marginalised populations. Cooperative banks may be better positioned to mitigate these effects due to their community-based models, but they too must modernise to maintain competitiveness and operational efficiency.

Wholesale and retail trade

Retail plays a central role in domestic economies by generating employment, driving consumer demand, and shaping consumption patterns. Cooperatives in this sector typically operate at scale, combining centralised logistics and branding with local ownership and governance structures.

The sector is undergoing rapid change due to the rise of e-commerce, shifting consumer preferences towards ethical and sustainable products, and regulatory pressure to decarbonise operations. The complexity and opacity of global supply chains create substantial due diligence challenges related to labour conditions, human rights and environmental impact, especially in sourcing and subcontracted logistics.

Retail cooperatives face a dual challenge: adopting circular economy practices – such as waste reduction and sustainable packaging – while preserving their democratic governance and local accountability. At the same time, digitalisation threatens to displace low-skilled labour, raising broader concerns about job quality and social inclusion.

Agriculture

Agriculture remains a foundational sector in all five countries, not only for food security but also for rural development, land management and environmental stewardship. Cooperatives in this sector often operate across the value chain, from production to processing and distribution, providing essential support to smallholders and enabling collective investment in technology and infrastructure. The sector is particularly exposed to climate change, with rising temperatures, shifting precipitation patterns and extreme weather events directly affecting productivity. Regulatory and market pressures are accelerating the shift toward sustainable, organic and regenerative agriculture, but transitioning requires access to capital, knowledge and infrastructure, which are areas where cooperatives can play a pivotal role.

Key due diligence issues include ethical sourcing, fair labour practices (especially for seasonal and migrant workers), and equitable resource distribution among cooperative members. As farms consolidate and rural populations decline, agricultural cooperatives must balance the need for innovation and competitiveness with their traditional social missions.

4.5.2 Overarching challenges

Beyond sector-specific issues, cooperatives, like other large organisations, have to contend with several overarching challenges in their sustainability efforts.

First, cooperatives operate within dynamic markets characterised by intensifying competition, economic crises, inflation and price volatility. These **external pressures** can complicate the prioritisation of and investment in long-term sustainability initiatives, as immediate economic viability often takes precedence. Balancing competitive pricing with fair labour practices and sustainable sourcing remains a constant tension.

Second, the **complexity of global supply chains** presents significant hurdles to ensuring comprehensive sustainability compliance. Cooperatives often struggle with obtaining detailed and accurate data regarding environmental impacts and social conditions across their vast networks of suppliers, particularly when engaging with smaller entities. This data deficit can impede effective due diligence and transparent reporting. Furthermore, the increasing digitalisation of operations, while offering efficiencies, also raises concerns about its environmental footprint, including increased energy consumption, electronic waste, and reliance on extensive data infrastructure.

Finally, **adapting to and mitigating environmental impacts**, particularly those related to climate change, represents a continuous challenge. This includes transitioning to renewable energy sources, reducing greenhouse gas emissions, managing waste effectively, and protecting biodiversity. The scale of these environmental shifts often requires substantial investment and systemic changes that can be difficult to implement across large, decentralised organisations.

4.5.3 Challenges specific to cooperatives

Certain challenges are particularly pronounced for cooperatives, stemming from their unique governance and value-driven identity.

Upholding cooperative identity and values becomes a significant challenge during periods of rapid growth, diversification and internationalisation. As operations expand across regions and countries, there is an inherent risk of “mission drift” or “value washing”, where founding principles may be diluted. For instance, Biocoop faced internal conflicts, including strikes and protests, due to its rapid expansion, which led to inconsistencies in labour practices and social dialogue across its decentralised network of independent stores. Employees expressed concerns about workload imbalances, stagnant wages and insufficient consultation, highlighting a perceived erosion of core cooperative values. Similarly, UpCoop encountered difficulties in maintaining a consistent cooperative identity while scaling operations globally across 25 territories, requiring substantial investments in training, governance structures and regulatory alignment to preserve its distinctiveness. This scaling also presents a structural challenge in balancing cooperative governance with market agility. Participatory decision-making, while central to the cooperative ethos, can inherently be slower than traditional corporate processes, potentially hindering rapid responses to market changes.

Ensuring consistent **stakeholder inclusion and coherent governance** across complex organisational structures, especially those involving hybrid models or franchises, is another critical challenge. Eroski, for example, implements a dual cooperative model with equal representation for consumers and employees in its general assembly and governing council. However, this coherent governance model appears to be less consistently applied to its franchises and subsidiaries outside the Basque region, due to varying cultural, legislative or investment contexts. This fragmentation raises questions about the extent to which the dual model and its underlying values are practised across the broader group, indicating a challenge in maintaining unified governance and values across an expanded and hybrid operational footprint.

Moreover, some cooperatives struggle to fully integrate stakeholder input into **specific sustainability management processes**. While DMK has various platforms for exchange involving members and employees, its cooperative model is not consistently perceived as a core driver of sustainability. The works council's committee, for instance, lacks a specific focus on sustainability, potentially limiting the direct influence of democratic processes on ESG strategy. Biocoop's experience with a lack of standardised union representation across its expanding network further underscores the difficulty of ensuring consistent labour practices and employee consultation.

In conclusion, while cooperatives are essential economic actors contributing significantly to regional development, democratic governance and long-term value creation, they are not immune to the **complex environmental, social and governance challenges** facing their respective industries. Addressing these challenges requires continuous adaptation, strategic investment, and a steadfast commitment to their core values, particularly as they navigate growth, market pressures, and evolving regulatory landscapes. The ability of cooperatives to maintain their value-driven identity while scaling operations and integrating diverse stakeholders will be crucial for their continued success in fostering sustainable business practices.

05 Discussion: cooperatives as drivers of sustainable economies

This report assesses the role of large cooperatives as potential drivers of and models for corporate sustainability, following an appreciative inquiry approach and highlighting good examples. The findings suggest that **cooperative organisations possess distinct characteristics that give them a comparative advantage in addressing both local and global sustainability challenges.** This discussion synthesises the key insights, linking cooperative governance to sustainability performance, and reflecting on the broader implications for policy and business strategy.

A central finding of this research is that **the democratic principles and value-driven nature of cooperatives are not merely aspirational but are structurally embedded in their business and governance models,** making their commitment to sustainability binding. Unlike mainstream companies where sustainability might be an external add-on, for cooperatives, it is foundational. Their mission is intrinsically linked to balancing economic success with social and environmental responsibility. This is guaranteed by their adherence to the principles of the International Cooperative Alliance (ICA) and their embeddedness in social economy networks.

This organisational culture gives cooperatives a **strategic advantage** in the transition to more sustainable business models. Their inherent focus on prioritising the welfare of members, employees and communities over short-term shareholder returns allows them to proactively reinvest profits in community projects, the green transition, and member services from the beginning of their economic activities. This approach goes beyond simply reporting on risks and actively enhances positive social and environmental outcomes. Consequently, cooperatives have established credibility and trust among their stakeholders, enabling them to differentiate themselves in competitive markets. The study shows that economic growth and sustainability are compatible, as these organisations demonstrate that businesses can “do well” financially while “doing good” socially and environmentally. The cooperatives studied here demonstrate that they are not waiting for regulators – they are already doing the work. They are sufficiently aware that a certain level of regulation, and leadership from regulators, are crucial for creating a level playing field. The findings show that large cooperatives are engines for innovation and long-term prosperity, proving that impact-driven businesses can contribute to EU competitiveness.

Cooperatives are **uniquely positioned to address local issues and drive local resilience**. Their embeddedness in communities allows them to strengthen local supply chains by prioritising local sourcing, fair pricing, and circular economy approaches. These practices reduce emissions, and support community well-being and rural economies. These findings provide a compelling case for policy-makers to support governance models that empower workers and producers to shape transitions, ensuring that sustainability measures are accepted and adapted to local realities. This demonstrates how cooperatives can be instrumental in achieving EU and global sustainability goals, such as the UN 2030 Agenda and the European Green Deal. They act as enablers of a just, place-based green transition, offering a model where purpose and profit can be integrated seamlessly.

The findings from this study demonstrate that large cooperatives are not only capable of scaling but are also **adept at navigating complex challenges** posed by regulations and sustainability demands. The challenges faced, for instance in balancing growth with consistent fairness in labour practices, are valuable lessons for all businesses aspiring to more sustainable practices. They underscore the need for clear frameworks and social dialogue structures to prevent inconsistencies as organisations scale.

Furthermore, the research reveals that **cooperatives are not separate from the mainstream private sector;** they are part of it. This was evident in the reluctance of some large cooperatives contacted to participate in this research, reflecting their status as private economic actors operating in competitive markets where information is sensitive.

The findings suggest that **impact business models are diverse** including across cooperative organisations that operate across sectors and scales. Current EU sustainability and due diligence frameworks have largely focused on minimising harm or avoiding negative impacts. However, as the evidence base grows, there is an opportunity for future policy to actively incentivise net positive business practices and a regenerative impact such as the one that cooperatives have produced for a long time.

Ultimately, the study of large **social economy organisations offers more than just examples of good practices; it provides crucial lessons on the obstacles that mainstream companies can anticipate**. It suggests that a policy that recognises the inherent strengths and contributions of cooperatives can help accelerate the broader transition toward a more sustainable and equitable economy.

06

Conclusion

The SEDLEX project aimed to examine how sustainability is integrated into the organisational culture and governance model of cooperatives, postulating that this business model can serve as a reference for advancing sustainable economies. **This research**, conducted at a pivotal moment in the negotiations on the Corporate Sustainability Due Diligence Directive (CSDDD), **demonstrated that large social economy enterprises, and cooperatives in particular, are not only predisposed to balance economic, social, and environmental objectives, but they often go beyond mere regulatory compliance.**

Beyond 'best practices', our evidence challenges a core premise from the orthodox economy: that financial incentives alone are sufficient to steer firms toward socially optimal outcomes. Externalities are, by definition, unpriced in such a model. The cooperative framework internalises social and environmental variables through governance (membership rights, dialogue, multi-stakeholder oversight) rather than as after-the-fact add-ons. This governance design consistently produces more robust long-term decisions under uncertainty, which is why co-operatives often exceed compliance and deliver both resilience and societal value.

The thematic analysis of the 14 case studies, structured within the governance, social, environmental framework, reveals exemplary practices that reflect the intrinsically value-driven cooperative identity and the "double nature" of these organisations, as both collectives pursuing a societal goal and economic enterprises.

- **Governance (G)**: Sustainability at the heart of democratic structures. Cooperatives integrate sustainability directly into their legal status and mission statements. Their governance is characterised by shared ownership, democratic decision-making ("one member, one vote"), and broad stakeholder participation. Examples like Biocoop and UpCoop, both of which have become "sociétés à mission" (mission-driven companies), or GLS Bank with its objective of promoting the well-being of its members before profit, illustrate this deep integration. The presence of specialised sustainability committees (Cajamar, Eroski, DMK) and parity or trade union representation on boards of directors (DMK, Eroski, UpCoop, Unipol) ensures that ESG considerations are addressed at the highest level.

- **Social (S)**: Strong commitment to workers' and stakeholders' well-being and dialogue. The cooperative identity is demonstrated by robust social dialogue and significant commitment to employee and community well-being. Structures for worker representation, such as works councils and the integration of trade unions (Eroski, UpCoop, Unipol), are widespread. Cooperatives excel in terms of job security (AB Midden Nederland, Biocoop), fair compensation, training policies (Coop Alleanza 3.0, Eroski, Biocoop, COVAP, UpCoop), and employee welfare (Unipol, UpCoop). Their role extends to social inclusion (Cajamar in rural areas) and territorial development (Unipol, COVAP), including responsible supply chains (AGRAVIS).

- **Environmental (E)**: Proactive actions to protect nature and the environment. Cooperatives adopt a proactive approach to environmental management.

They implement greenhouse gas emission reduction programmes (DMK, Sodiaal, AGRAVIS), invest heavily in renewable energy (Cajamar, AB Midden Nederland, Intergamma), and integrate circular economy principles (Biocoop, Intergamma, COVAP, Coop Alleanza 3.0, Unipol) as well as water management (DMK, COVAP, Cajamar, COVALPA, Sodiaal, Unipol, Eroski). These initiatives are strategically aligned with their fundamental values, such as long-termism and intergenerational responsibility.

Addressing challenges to catalyse transformation

Although cooperatives are essential economic actors which implement sustainability practices and strategies on a long-term basis, they are not exempt from challenges, whether sectoral (financial regulation, opacity of retail supply chains, agricultural vulnerability to climate change) or more specific to their model. Maintaining cooperative identity and founding values during rapid growth and internationalisation (Biocoop, UpCoop, Eroski) represents a major challenge, requiring continuous investment in training, governance and regulatory alignment. These challenges, far from being weaknesses, offer valuable lessons for all businesses seeking to integrate sustainability more fully.

In conclusion, **this report demonstrates that large cooperatives possess distinct characteristics that give them a comparative advantage in addressing sustainability challenges, both local and global.** Their organisational culture, intrinsically value-driven, allows them to reinvest profits in community projects and the green transition, prioritising the well-being of their members and communities over short-term returns for shareholders. Cooperatives do not merely wait for regulations; they are already acting, proving that economic growth and sustainability are compatible and that impact businesses can contribute to EU competitiveness. They are perfectly positioned to strengthen local supply chains and boost territorial resilience, thus contributing to EU and UN sustainability goals.

By recognising and supporting the democratic governance of cooperatives and their structural predisposition to meet (and often exceed) formal expectations, policy-makers have a powerful lever to accelerate the transition to a more sustainable, just and equitable economy. The study of cooperatives not only offers examples of good practices but also provides crucial lessons on obstacles that traditional businesses might anticipate, making cooperatives a reference model for the future of the global economy.

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