

Good practice guidance for cooperatives on improving their social and environmental performance

This is a slightly abbreviated version of the submission made to the International Co-operative Alliance by Andrew Bibby (www.andrewbibby.com/coops.html), March 2014. It has been submitted as part of the consultation being undertaken by the ICA in relation to the proposed new Guidance Note, to accompany Co-operative Principle 7 ('Care for the community').

1. This paper is structured in two parts. In the first, I make a number of comments more generally on the issues covered by Principle 7. In the second, I put forward my own thoughts on how the Guidance Note could be structured and worded. As will become clear, I am suggesting a broader scope to the Guidance Note, beyond concern just for environmental issues.
2. Principle 7 is particularly important because it is the only Principle which asserts that cooperatives are something more than businesses run in order to maximise economic returns (although of course the accompanying Values also helpfully refer to cooperators' commitment to social responsibility and caring for others).

The wording chosen in 1995 for Principle 7 was no doubt deliberately broad: *Co-operatives work for the sustainable development of their communities...* Since then, however, we have seen growing activity by non-cooperative businesses in relation to corporate social responsibility. We have seen the development of the concept of the triple bottom-line (the social and environmental, as well as the financial, returns which come from business activity). We are also keenly aware at a time of climate change and environmental degradation of the importance of economic and social development being sustainable, an issue which has now become a focal point of international policy-making. The current discussions led by the UN with reference to the proposed Sustainable Development Goals are an indication of the significance now afforded to the issues implicitly raised by Principle 7.

It is important that the Guidance Note to Principle 7 acknowledge this current activity and debate. The Guidance Note should make proposals for specific ways in which cooperative businesses can embrace their wider social and environmental business goals.

3. As it is currently drafted, the Guidance Note is particularly concerned with environmental factors, although it does also make reference to 'social sustainability'. My view is that the Guidance Note needs to be restructured to give equal prominence to both social and environmental issues. The concept of the triple bottom line is helpful here, in suggesting equal weight for social and environmental benefits.

4. Taking the historical view, the early pioneers of cooperation were primarily concerned with the social benefits which they believed would follow from the development of cooperative enterprises. People such as Robert Owen and George Holyoake (in the UK), Jean-Baptiste André Godin (France), Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch (Germany), as well as slightly later figures such as Alphonse Desjardins (Canada) and Joseph Lemaire (Belgium) were motivated primarily by the desire to overcome poverty and exploitative social conditions and to work for more equitable societies. So too were the many tens of thousands of women and men who in their lifetimes committed themselves to work to develop the cooperative movements in their own countries.

It is appropriate to recall that Principle 7 springs directly from this key part of our cooperative history, which can be traced back at least two hundred years.

5. If the cooperative movement today is to claim – as it wants to – that it is a fundamentally more ethical business model than that of conventional businesses, then the commitment of individual cooperatives to social and environmental business objectives needs to be seen as a core attribute of their functioning and purpose, and not as a pleasant ‘add-on’. This needs to be spelled out clearly in the Guidance Note to Principle 7.

The world has all kinds of organisations (from social clubs to professional associations) which are democratically run by their members, for their own benefit. They are not cooperatives, however. We demand, or should demand, something more from enterprises which claim the right to call themselves cooperatives: we should demand that they operate for broader societal objectives than just member self-interest. Again, this obligation on cooperatives should be spelled out in the Guidance Note.

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6. I would now like to make some comments on the way that the Guidance Note is structured. I hope that these more detailed observations will be helpful.

I would propose a document which is **short**, and which is geared towards **practical action**. I do not believe it is the purpose of the Guidance Note to explore philosophical or theoretical issues associated with sustainability.

Worldwide, we have some excellent examples of cooperatives who are taking pioneering steps in relation to social and environmental initiatives. **Concrete examples** of good practice could be given as well. However, any such case studies should be short. A lengthy Guidance Note is one which is unlikely to be read or used.

7. I would suggest the Guidance Note initially has a few brief paragraphs (maximum four paragraphs) by way of introduction, to establish the wider

relevance of Principle 7. Some of the context I have raised above might suitably be included here.

The Guidance Note might usefully also make the point that its role is indeed to offer guidance: that it is making recommendations rather than being prescriptive. (My comments below are based on this assumption.)

8. I would suggest that the Guidance Note next promotes the importance of cooperative businesses **monitoring their social and environmental performance**, in a comparable way to that in which financial performance is measured.

Good practice requires more than good intentions: it requires evidence based on data collection. There is now considerable experience of the development of social and environmental auditing tools. There are some excellent examples of cooperatives who include detailed social and environmental reports, either with their annual financial reports or as separate documents.

What is appropriate for a large cooperatives, perhaps with an international reach, will not be appropriate for very small cooperatives. Lengthy or expensive box-ticking exercises (perhaps aided by expensive consultants' fees) are not what is being demanded. Nevertheless, in the same way as all cooperatives should keep financial records all cooperatives should also discuss appropriate ways in which they can monitor the social and environmental implications of their trading activities. The results of such monitoring should be made available to members and to the wider communities in which they operate.

9. The remainder of the Guidance Note could usefully be structured into two parts, in turn covering **social** and **environmental** objectives.

In relation to social objectives, I would propose separate sections addressing issues relating to cooperative **employees**, to **suppliers** and to **customers**, and to the **communities** in which cooperatives operate.

10. The Guidance Note should encourage cooperatives as employers to adopt the highest possible standards in relation to their **employees**. (As an aside, this

can be found as recurring theme in debates in the nineteenth-century British cooperative movement).

The UN agency concerned with employment matters is the International Labour Organization, and the Guidance Note should draw attention to the importance of cooperatives abiding by the ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998. (The ILO operates on a tripartite basis, which means that the Declaration, ILO Conventions and ILO Recommendations are agreed jointly by governments, employers' representatives and workers' representatives.)

The Declaration covers four areas:

- freedom of association and the effective recognition of the right to collective bargaining
- elimination of all forms of forced or compulsory labour
- effective abolition of child labour
- elimination of discrimination in respect of employment and occupation

These four areas are considered to reflect the core labour standards which the international community has agreed are basic human rights in the workplace. Cooperatives should be seen to be embracing them.

The Guidance Note should also draw attention to the various international standards and codes of practice, of particular relevance to cooperatives operating internationally. These include the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

Cooperatives operating at global level should be encouraged to commit publicly to these standards. The Guidance Note should also encourage them to sign Global Framework Agreements (GFA) with the relevant global union federation(s).

11. In relation to the first issue covered by the Declaration, that of the right of workers to organise in trade unions, the Guidance Note should remind cooperatives of the historically strong links in many countries between the

cooperative and trade union movements. Cooperative good practice would suggest not only passive recognition of trade union organisation by employees but active support for the principle of worker association. Cooperatives should be in the forefront of good employer-employee relations.

12. A similar note should be struck in relation to the final issue covered by the Declaration, that of equality in the workplace. It would be appropriate to remind cooperatives of their commitment (in Principle 1) to operate without gender, social, racial, political or religious discrimination.

The Guidance Note can encourage cooperatives to assess their success in this respect through monitoring of the diversity of their workforces.

13. Adequate training provision for employees is another way in which cooperatives can seek to demonstrate good practice as employers. The provision of educational opportunities offers benefits for both the cooperative and the individual.

14. Cooperatives also have a responsibility to their **customers**. It is not acceptable cooperative practice to increase the benefits accruing to a cooperative's membership through sales of over-priced or sub-standard goods or services. Customers of cooperatives have the right to expect high ethical standards from the cooperatives they deal with. (Once again, this is an issue where very early cooperatives took a pioneering lead).

There are numerous ways in which cooperatives can be encouraged to develop good practice here.

Cooperatives can be encouraged to take a lead in better labelling of the goods and services they offer. In the case of retail cooperatives, cooperatives can seek to reduce the quantities of potentially harmful additives, or the excessive use of such things as salt and sugar.

Long supply chains can create problems of monitoring and control and sometimes can mean that goods are wrongly labelled - what the customer thinks they are buying is not in fact what they get. This is a particular issue in

relation to food. Cooperatives have long committed themselves to providing unadulterated and good quality food, and this commitment needs to be reiterated in the modern context of global sourcing of materials.

Housing cooperatives should adopt high standards towards tenants. The Guidance Note should encourage the adoption of good practice in relation to issues such as rent arrears.

15. Cooperatives also have commitments to those businesses who are their **suppliers**. Cooperatives have a responsibility not to supply goods or services whose creation has involved either environmental or social exploitation. In a globalised economy, cooperatives have a responsibility to put in place adequate mechanisms to monitor their supply chains.

Cooperatives have in recent years taken a lead in the development of fairtrade goods. Now that fairtrade goods are increasingly also being stocked by non-cooperative businesses, cooperatives should seek to extend their work here, and where possible to mainstream the idea of fairtrade commerce.

16. Cooperatives have a strong record in working to support the **communities** in which they operate.

However, the Guidance Note could usefully make the point that this is a much broader matter than simply, say, providing financial support for a children's sports team or for a cultural or artistic initiative.

Cooperatives can have a positive or negative effect on the wider communities in which they operate in various respects.

The issue of **corporate taxation**, and in particular the implications of businesses seeking to avoid or evade tax by sophisticated accounting techniques or by use of tax havens, is increasingly an issue of public concern. The tax which businesses contribute (or do not contribute) directly affects the well-being of their communities and directly affects the resources available for such public goods as education, public health and public services.

Cooperatives should commit to paying the full corporate tax due in the country/countries in which they operate, and should formally renounce measures which seek to reduce their tax liability. (Recent initiatives such as the Fair Tax Mark being pioneered by cooperatives in the UK could be mentioned in this context).

The way that cooperatives invest their assets is also of relevance here. The Guidance Note could include recommendations in relation to Socially Responsible Investment (SRI), including the UN-supported Principles for Responsible Investment.

It has been suggested (as for example in the book *The Spirit Level: Why Equality is good for everyone*) that the overall well-being of a society is closely linked to the degree of equality operating within it. In this respect, disproportionate pay ratios within cooperatives (including very high levels of executive remuneration) work against greater equality within society. Pay scales in cooperative businesses is therefore an issue which it may be appropriate to address.

17. The final part of the Guidance Note should address issues relating to environmental sustainability.

The current draft of the Guidance Note very helpfully establishes much of the wider international context in which environmental sustainability in cooperatives needs to be positioned. It also includes one or two interesting examples of good practice (for example, in its reference to work being undertaken by the Organization of Brazilian Cooperatives to encourage the reduction of carbon emissions).

Nevertheless, I would once again encourage the Guidance Note to be structured primarily around *practical measures* which cooperatives can adopt.

Larger cooperatives, and particularly transnational cooperatives, should be encouraged to endorse international initiatives such as the UN Global Compact, mentioned above. The UN is currently inviting businesses to formally establish voluntary commitments (<http://business.un.org/en>) to help meet UN sustainable

development goals, and cooperatives should be encouraged to take a lead in steps such as this. The involvement by cooperative insurers in the recently launched UNEP Statement of Commitment by Financial Institutions on Sustainable Development is an example of cooperative businesses positioning themselves at the forefront of global initiatives.

There are campaigners within the environmental movement who would claim that many such initiatives by business can amount to little more than 'greenwash'. Cooperatives need to be able to demonstrate, through their actions, that their commitment to environmental sustainability is core to their business operations, and amounts to more than simply an attempt at good PR.

18. One way to achieve this is to ensure that programmes around sustainability are 'owned' by a cooperative's Board of Directors, and that they come under the direct responsibility of the chief executive and his/her senior staff. The Guidance Note should recommend that sustainability initiatives should be promoted from the top of a cooperative's organisation, and should be assessed at Board level as regularly as financial performance. Clear targets in relation to environmental sustainability should be included in key performance indicators. Benchmarking against other cooperative businesses should be encouraged.

19. The importance of monitoring and evaluating performance data applies particularly in relation to environmental initiatives. Cooperatives can put in place matrices to measure their performance in a range of areas. These include energy usage, waste creation and recycling, business travel, sustainable purchasing and overall carbon emissions.

There is opportunity within the Guidance Note to offer a wide range of practical suggestions for good practice, ranging from such things as promoting staff use of bicycles to policies on IT equipment procurement (where compliance with environmental standards such as those operated by TCO Development is important).

There are no shortage of excellent examples from within the cooperative movement of businesses undertaking innovative policies in relation to environmental sustainability. These could helpfully be included.

20. Agricultural and fisheries cooperatives have a particular responsibility to play in relation to environmental issues, and the Guidance Note should highlight their role in this respect.

Food security and food supply are issues of growing global concern. Current attention is focused on the difficulties increasingly being faced in feeding the world's population. Much of our present problems are attributable to unsustainable practices in the past driven purely by commercial considerations, including such things as the exhaustion of fresh water supplies to the over-exploitation of fish stocks.

With 32% of the world's agricultural and food sector in the hands of cooperative business (World Co-operative Monitor, 2013), there is considerable scope for cooperatives to take a leading role in international initiatives around food. Cooperatives have a responsibility to play an exemplary role and the Guidance Note should make this point.

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21. In conclusion, I welcome the initiative by the ICA to give detailed guidance on how the internationally agreed Co-operative Principles can be translated into concrete practice by cooperatives in the running of their businesses. The 2012 UN International Year of Cooperatives and the current Blueprint for a Co-operative Decade provide a real springboard for the strengthening of the cooperative business sector. Nevertheless, cooperative business practice does need to be demonstrably different from that pertaining in non-cooperative businesses. In this context, the Guidance Notes have a particularly important role to play.

Andrew Bibby, March 2014