

SENATE COMMITTEE ON SOCIAL CONCERNS
MINUTES OF MEETING
FEBRUARY 6, 2006

[In these minutes: Vendor Code of Conduct, Board of Regents Investment Social Concerns Policy]

[These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions or actions reported in these minutes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

PRESENT: Ken Heller, chair, Joseph Marchesani, Peter Hiniker, Elizabeth Richardson, Benton Schnabel, Greg Schooler, Julie Sweitzer, Craig Hassel, Ajay Skaria, Mani Subramani, Christopher Barrett, Nick Bengtson, David Gysbers, Mira Reinberg

REGRETS: Jennifer Oliphant, Todd Tratz, Richard Lidstad, Sandy Ulsaker Wiese, Catherine Jordan

ABSENT: Amelious Whyte, Katherine Fennelly, David Fox, Samantha Butts, Reid Johnson

GUESTS: Kristen Houlton, philosophy graduate student and student senator, Richard Pfutzenreuter, vice president and CFO, Karen Triplett, director of Purchasing Services

I). Professor Heller called the meeting to order.

II). Professor Heller called on Kris Houlton to share the additional information she collected since the committee's last meeting in December relative to her proposal that the University establish a vendor code of conduct. A handout containing this information was distributed to members. Highlights from this handout included:

- The Dispute Review Board at the University of Michigan does not have a budget. Members serve on the board voluntarily. Any overhead expenses incurred by the Board are absorbed by the CFO's office. Purchasing Services provides staff support.
- The Board only convenes in response to a complaint.
- The Board is comprised of seven members appointed by the CFO: three faculty members (preferably tenured), two student members (names are put forward by student government), and two staff members (one from Purchasing Services, and the other from External Relations). A quorum is five and all decisions are by majority.
- The Board is advisory, and makes recommendations to the CFO.
- To date, only one complaint has been brought to the Dispute Review Board at the University of Michigan. While the Board can recommend the termination of a vendor contract, it encourages working with a vendor to facilitate compliance. In the one case heard by the Dispute Review Board, it recommended non-renewal of

this vendor's contract. This was done, however, only after a period of attempted remediation.

- The Dispute Review Board's Complaint Investigation and Resolution Procedures were adopted in May 2005. A copy of this document was disseminated to members via email just prior to today's meeting and is attached to these minutes.
- While a handful of other institutions have regulations guiding vendor's practices, the University of Michigan is the only institution, as far as we know, with a comprehensive code of conduct, which is based on its licensee code of conduct.
- The University of Michigan has no formal definition of a vendor but informally defines one as a company or organization with which it has a contract for the purchase of goods or services.
- The University of Michigan recommends that any company that seeks to do business with it submit the company's code of conduct or ethical guidelines along with its RFP. A vendor that does not provide this information, however, is not barred from bidding on a contract.
- A list of the University of Minnesota's university-wide contracts can be found at the following URL: <http://uwidecontracts.umn.edu/>

Next, the committee discussed the proposal. During this discussion the following points were raised:

- In many respects the University of Michigan's vendor code of conduct is similar to that being proposed.
- The Social Concerns Committee is not being asked to take on the role of the Dispute Review Board, but to recommend that such an entity be established. Ms. Houlton stated that she believes the University of Michigan's Dispute Review Board is a good model, which the University could consider duplicating.
- A vendor code of conduct requires an enforcement mechanism such as in the University of Michigan model.
- The University of Michigan model allows only entities within the institution to bring forward a complaint. The University of Michigan's Complaint Investigation and Resolution Procedures stipulates that the Dispute Review Board has the authority to decide whether or not an organization qualifies as a recognized University of Michigan organization.

Professor Heller called on Vice President Pfitzenreuter and Director of Purchasing Services Karen Triplett for their comments on this proposal. Vice President Pfitzenreuter stated that it would be difficult to argue against having a vendor code of conduct. He added that the University already has a Trademark Licensee Code of Conduct, and it would only make sense to have a code of conduct for University vendors. Consideration will need to be given to what is meant by a "vendor" and "ethical violation" when drafting this code. It will also be critical that there be a mechanism in place to facilitate a thorough investigation of any complaint.

There was a discussion that a dollar figure might be used to decide who should not be covered by this policy. Vice President Pfitzenreuter responded that using a dollar

amount as a threshold is one of the criteria that could be used in deciding which vendors would be covered under the code. According to Vice President Pfutzenreuter, Purchasing Services' Terms and Conditions are likely sufficient to protect the University from unethical vendor conduct in transactions involving only a small money value. Ms. Triplett agreed that a code would need to include a clear definition of what constitutes a "Corporate partner/vendor" within the policy because the University, on average, does business with roughly 35,000 vendors a year. Of these 35,000 vendors a vast majority do a very small amount of business with the University, and, in many cases, only once per year. U-Wide Contracts (<http://uwidecontracts.umn.edu/>) lists vendors that do a substantial amount of business with the University.

Ms. Triplett also noted that in certain situations there few vendors from which to choose. If a decision is made not to do business with one of these vendors, the University has little negotiating power. There was discussion of whether getting a good deal was worth the University compromising its values.

Vice President Pfutzenreuter stated many factors must be considered when adopting a vendor code of conduct, several of which are not as black and white as they may first appear. For example, investigating complaints that are international in scope could likely consume a substantial amount of University resources. A comment was made that a vendor code of conduct clearly sends the message that the University has ethical standards.

Hearing no further discussion on this topic, Professor Heller asked members how they would like to proceed with this item. After a brief discussion, members agreed that they would like the University to:

- Adopt a vendor code of conduct comparable to that of the University of Michigan.
- Incorporate in this code standards from the University of Minnesota's Trademark Licensee Code of Conduct.

Kris Houlton and Peter Hiniker volunteered to draft a resolution on which the committee will vote via e-mail. Assuming the committee votes to approve the resolution, it will be forwarded to the Senate for action. The resolution will include a provision that the administration consult with the Social Concerns Committee when drafting this code.

III). Copies of the old and revised Board of Regents Investment Social Concerns policies were distributed to members. The Social Concerns Committee is the only Senate committee, which has a Board of Regents policy governing aspects of its charge. Professor Heller asked for members input on whether the Social Concerns Committee should request that this Board policy be repealed and replaced with an administrative policy for consistency.

Vice President Pfutzenreuter provided members with background information to assist them in their discussion of this agenda item. The Board of Regents Office has been working to streamline its policies by delegating administrative functions to the President, who, in turn, delegates them to appropriate administrators working with Senate committees. Board policies provide the framework and direction for the administration

of the University. This raises the issue of whether this investment policy involving the Social Concerns Committee should remain a Board policy, or whether it should be part of a comprehensive administrative policy dealing with investments.

Professor Heller stated that it seems odd that the Social Concerns Committee, established by the University Senate, should be the only such committee that is part of a Regents policy. Greg Schooler commented that the number of resolutions that the committee investigates and recommends that the University take a position on has been trending downward. The University increasingly invests in products such as mutual funds, which do not involve the University in votes on individual company resolutions.

Based on the discussion, the following motions were made:

1. That a resolution be drafted requesting the Board of Regents to repeal its Investment Social Concerns policy in favor of a broadly framed administrative policy.
2. That the administration, in consultation with the Social Concerns Committee, draft an administrative policy to address investments.

Benton Schnabel and Professor Heller agreed to draft these motions, which would be sent out to members for an electronic vote. In a straw vote, for members of the committee present, there was unanimous support for both motions.

IV). Professor Heller noted that at a future meeting the committee could be asked to take a position on the ethical treatment of animals, specifically caged, egg-producing chickens.

V). Hearing no further business, Professor Heller adjourned the meeting.

Renee Dempsey
University Senate