

SENATE COMMITTEE ON SOCIAL CONCERNS  
MINUTES OF MEETING  
DECEMBER 5, 2005

[In these minutes: Meeting Minutes Approval Process, Solomon Amendment, Miscellaneous Business, Proposal to Establish a Code of Conduct for University Vendors, Proposal to Prohibit University Employees from Soliciting Business for University Corporate Vendors/Partners]

[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, Jennifer Oliphant, Todd Tratz, Peter Hiniker, Richard Lidstad, Barbara Creswell, Elizabeth Richardson, Benton Schnabel, Greg Schooler, Julie Sweitzer, Amelious Whyte, Katherine Fennelly, David Fox, Craig Hassel, Catherine Jordan, Mani Subramani, Christopher Barrett, Nick Bengtsen, Mira Reinberg

REGRETS: Samantha Butts, Reid Johnson, Samuel Stone

ABSENT: Sandy Ulsaker Wiese, Erika Wurst

GUESTS: Kris Houlton, student senator and member of COGS and GAPSA and graduate student Matt May

I). Professor Heller called the meeting to order.

II). Professor Heller asked members their preference for approving meeting minutes, either at each meeting or electronically over email. Overwhelmingly members preferred that minutes be approved electronically. Members further agreed that if they did not reply their approval within the specified time allotted that this would be construed as a vote of approval.

III). Members continued their discussion from the November meeting around the Solomon Amendment. After a relatively brief discussion, members decided not to take action at this time, but to keep this item on their radar.

IV). Other business:

a). A member asked for an update on the October 24, 2005 Minnesota Daily article by Matt Graham, *Berman seeks committee limits* (<http://www.mndaily.com/articles/2005/10/24/65755>). Is this matter being pursued? Professor Heller stated that the Social Concerns Committee, by virtue of its charge, deals with controversial issues. All the committee's meetings are open to the public, and

minutes from these meetings will continue to be available to the public. He added that he did not think that any Regent could be opposed to an open discussion of controversial issues that affect the University.

b). Professor Heller noted that an item which may come forward at the February meeting is the humane treatment of food (non-caged) animals, particularly as it relates to raising chickens for their eggs by University vendors. Professor Heller inquired whether members had other issues they believe should come before the committee this year. A member stated hearing concerns about whether TIAA-CREF's investments are socially responsible.

V). The committee proceeded with the next agenda item, a proposal from Student Senator Kris Houlton for the University to establish an ethical code of conduct for its vendors. It was noted that Vice President Pfitzenreuter had planned to attend, but could not because of pressing University business. To supplement her presentation, Ms. Houlton distributed copies of a cover letter and proposal, which had previously been distributed to members via email, and information concerning the University of Michigan's Vendor Code of Conduct ([http://www.umich.edu/pres/committees/tf\\_code.html](http://www.umich.edu/pres/committees/tf_code.html)).

Ms. Houlton stated that she comes before the committee to support the establishment of a University code of conduct for its vendors that could be modeled after the University of Minnesota Trademark Licensee Code of Conduct (<http://www.ogc.umn.edu/download/CodeofConduct.pdf>). In Ms. Houlton's opinion, vendors that do business with the University should abide by the University's ethical standards.

While the University has a code of ethics for department personnel responsible for purchasing goods and services (<http://www.fpd.finop.umn.edu/groups/ppd/documents/Form/CodeofEthics.pdf>), it does not have a code of ethics for vendors from whom it purchases goods and services. The Code of Ethics for Department Staff Responsible for Buying stipulates that University purchasers must support and uphold the values, policies and procedures of the University of Minnesota. However, aside from the University of Minnesota Trademark Licensee Code of Conduct, the University of Minnesota's values are not defined.

In 2003, the University of Michigan adopted a code of conduct derived from its licensee code of conduct. Similar codes of conduct, mandatory contract terms and conditions, and/or regulations exist at Arizona State University, Harvard University, University of California-San Francisco, University of Connecticut, University of Delaware, University of Texas and University of Utah.

The impetus for establishing a vendor code of conduct at the University of Michigan was concern over a particular vendor. As a result, the University of Michigan formed a task force to study its overall vendor partnerships with suppliers to examine whether or not

these vendors were adhering to proper labor standards and following sound ethical practices. This task force came to the conclusion that besides having a moral obligation to demand minimum labor and environmental standards from its licensees, it had a similar obligation to establish a code of conduct for its vendors of goods and services.

Principles set forth in the University of Michigan's vendor code of conduct are founded on federal, state and local laws as well as the ethical guidelines put forth in its licensee code of conduct. The code is a three-tiered approach incorporating general principles, primary standards, and preferential standards:

1. General Principles - No vendor agreements will be entered into with any business in violation of federal, state or local laws.
2. Primary Standards – Guidelines the University of Michigan uses in the vendor selection process. The University of Michigan strives to only contract with vendors that uphold its primary standards.
3. Preferential Standards – Criteria the University uses when giving preference to a particular vendor during the selection process.

The University of Michigan established a Purchasing Dispute Review Board to oversee compliance of its code. This Board has investigatory powers, and takes complaints from students and University organizations that are required to provide evidence to support their charges. The Board then investigates the complaints it receives and makes recommendations to the University's CFO for possible action; the Board itself does not have the power to take action against a particular vendor.

Next, Ms. Houlton identified considerations that would need to be examined should the University of Minnesota decide to adopt a vendor code of conduct.

- Scope issues.
- Compliance enforcement – What University or outside entity would be responsible enforcing a vendor code of conduct? Unlike the Trademark Licensee Code of Conduct, which is enforced by the Worker's Rights Consortium, there exists no similar entity, neither inside nor outside the University, to enforce a vendor code of conduct.
- Freedom of procurement issues – Instead of making procurement decisions based solely on financial considerations, information concerning ethical procurement considerations would need to be communicated to the University community.

Ms. Houlton brought forward the University of Michigan's vendor code of conduct simply as a model. In her opinion, the Michigan code lacks forcefulness because the only binding portion of the code stipulates that the University of Michigan will not enter into vendor agreements with businesses in violation of federal, state, or local laws. Its primary and preferential standards seem to be aspirations, and not technically enforceable the way the code is written.

Ms. Houlton put forward a proposal that the University create a vendor code of conduct with the following stipulations:

- Require vendors to sign a pledge form agreeing to uphold the University's code of ethics.
- Insert a termination clause in vendor contracts, which would hold the University harmless should it choose to terminate a vendor contract based on ethical concerns.
- Establish a procedure for handling suspected ethical violations by University vendors.

To conclude, Ms. Houlton noted that in its role as a land grant institution and premier public research university in Minnesota, the University has a responsibility to be an ethical leader.

Following her presentation, Ms. Houlton solicited questions/comments from members:

- Does the University have preferential contracts with minority owned businesses? Yes, stated Ms. Houlton who went on to reference Board of Regents' policies noted in her cover letter to the committee. She added that her goal in bringing forward this proposal is to have University vendors, as needed, modify their business practices and behavior in reaction to knowing that their client, the University of Minnesota, has ethical standards.
- Would this proposal cover contracts with the University's major vendors, or all companies that the University procures goods and services through? According to Ms. Houlton, this question relates back to the scope issue she mentioned earlier. Ideally, Ms. Houlton would like the code of conduct to apply to all companies that the University procures goods and services through.
- How many vendors does the University do business with? Ms. Houlton volunteered to provide the committee with the URL that lists the University's vendors.
- Not all companies that the University purchases goods and services from have a contractual relationship with the University. In terms of scope, it seems more reasonable to cover vendors under written contract with the University.
- As a principle investigator, a member stated that she contracts with a vendor to purchase DVDs. Would this arrangement fall under this proposal? In Ms. Houlton's opinion, as long as a member of the University community is purchasing goods and/or services on behalf of the University, it would be covered under this proposal. Ms. Houlton added that, in her opinion, just because companies comply with local, state and federal laws does not mean they abide by ethical business practices. Much of what ideally would be included in an ethical code of conduct would not necessarily be reflected in local, state or federal statutes.
- The COGS resolution,  *Holding University of Minnesota Corporate Partners to Ethical Business Standards*  (<http://www.cogs.umn.edu/resolutions/CorpPartnerships10-05.pdf>), excludes forced labor, which is in direct conflict with the University's purchasing contract that specifically states the University will assist the Minnesota Department of

Corrections in providing recovery and training for offenders in Minnesota correctional facilities.

- It seems unreasonable to impose the constraints that are being proposed today on certain University vendors that work with countless other vendors to provide University departments with goods they need to purchase.
- Inspection and oversight of a code of conduct seems inconceivable especially in light of budget constraints. Ms. Houlton agreed that enforcement of a vendor code of conduct would be a definite challenge requiring a lot of discussion, consultation and commitment on the part of the University community.
- An invitation should be extended to Vice President Pfitzenreuter to respond to this proposal on behalf of the administration. Additionally, a representative from Purchasing Services should be invited to share that department's perspective on this proposal.
- How does the University enforce its current vendor agreements? Ms. Houlton noted that she contacted the Office of the General Counsel (OGC) with this very same question. She reported that the OGC is quite confident that the University's vendors are upholding their agreements with the University, and that they are unaware of any current concerns that require follow-up. Ms. Houlton added that the OGC's lack of awareness around any current ethical violations does not mean that none exist. Without a mechanism for bringing concerns forward it is not surprising there are no reported violations.
- Do any of the University's purchasing policies go beyond a statement of values? No, not that Ms. Houlton could find.
- Is the University of Minnesota Medical Center, Fairview, considered a vendor of the University of Minnesota? It would be interesting to learn more about this business relationship.
- How would ethical concerns be brought forward? Ms. Houlton noted that at the University of Michigan its Purchasing Dispute Review Board investigates complaints. Only evidence that is substantiated to the satisfaction of the Board is brought forward to the CFO. Ms. Houlton supports the concept of establishing a Board.
- Should the University of Minnesota broaden its Trademark Licensee Code of Conduct to include all vendors rather than establishing a new code? Ms. Houlton noted a difference between the Licensee Code of Conduct and her proposal today is that under the Licensee Code of Conduct the University has joined the Worker's Rights Consortium (WRC) for enforcement purposes.
- Who at the University is responsible for overseeing compliance of the Licensee Code of Conduct? Ms. Houlton is under the impression that someone from the Office of the General Counsel (OGC) has contact with the WRC to ensure compliance.
- Is the University's own "ethical house" in order so that it can impose its ethical requirements on others? In Ms. Houlton's personal opinion, she sees the creation of a vendor code of conduct as a means for the University build on its own institutional ethics.
- Did the University of Michigan terminate its contract with the company that was in violation of its code? No, stated Ms. Houlton, instead they decided to extend

the contract in question only on a conditional, short-term basis. In the interim, the University of Michigan is working with this vendor on remediation efforts. If the University of Michigan were to sever this business relationship it would preclude it from being able to positively influence its ethical behavior.

- Establishment of an ethical code of conduct means going beyond what is legal. Examples of these types of these behaviors should be incorporated in any proposal that is brought forward as an ethical code of conduct.

Before concluding, Ms. Houlton mentioned another proposal, a policy prohibiting any University employee and/or member of the administration from soliciting business for a University corporate vendor/partner. This proposal is being brought forward in reaction to correspondence alumni received from the athletic director encouraging them to do business with a corporate sponsor for a new Gopher football stadium.

A few members expressed concern that this proposal could hinder the University's corporate fundraising efforts. Ms. Houlton believes that using the University of Minnesota name for the endorsement of a corporation is ethically compromising, but understands the importance of corporate partnerships when it comes to the University's fundraising efforts. Professor Heller stated that this is a separate proposal that deals with the University's ethics as opposed to the ethics of its vendors.

Members decided to continue discussion of a vendor code of conduct at their February 6th meeting. Further discussion about the propriety of a University employee soliciting business for a University corporate vendor/partner will be held over until the March meeting.

Information requested by members that would be useful for the February 6th discussion meaningful included:

- A list of the University's vendors.
- The University of Michigan's definition of "vendor".
- Language other institutions have included in their vendor contracts promoting ethical behavior.
- Learn about complaints the University of Michigan's Purchasing Dispute Review Board has received and how these complaints were resolved (assuming they are willing/able to share this information).
- Information from other institutions related to the cost of investigating complaints.
- Learn what information the University requires of its vendors concerning their business practices.

Renee Dempsey, Senate staff, was charged with inviting Vice President Pfitzenreuter to the February 6<sup>th</sup> meeting as well as a representative from Purchasing Services. Then, at a separate meeting, so as not to confuse the two proposals, a representative from the Alumni Association would be invited to discuss the implications of the proposal to prohibit University personnel from soliciting business for the institutions' corporate vendors/partners.

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

Renee Dempsey  
University Senate