# BOARD MEMORANDUM

**TO**: Board of Regents

**FROM**: Marcia R. Brunson

**DATE**: June 1, 2005 GSN

**SUBJ**: Board of Regents Policy Manual Revision

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## Recommended Action:

Approve the addition of the Code of Business and Fiduciary Conduct (Attachment A) as new section 7.02 in Chapter 7 of the Board of Regents Policy Manual and renumbering the current sections of 7.02 through 7.09.

## Executive Summary:

This revision to the Board of Regents Policy Manual was considered by the Audit and Compliance Committee at its May 2005 meeting. The revision recommended for approval is unchanged from that discussed by the Committee in May.

At its November 2004 meeting, the Committee specifically directed the three Regent universities to form a single group to explore best practices and to consider development of a single hotline reporting mechanism. The Committee's work plan indicated that the universities would provide a status report on these activities at the May meeting.

As reported to the Committee in May, the universities worked together to draft a uniform code of business and fiduciary conduct (Attachment A) that has been reviewed by the executive officers of the Regent institutions. The code is not a new policy or a restatement of existing policy but provides the overarching ethical context for policy.

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## Background:

**Sarbanes–Oxley Act of 2002**

The Sarbanes–Oxley Act of 2002 defines "corporate responsibility" related rules for the accounting professions, auditor/client relationships, and governance of publicly traded US companies. Regent institutions as public entities, though not subject to Sarbanes–Oxley, may benefit from implementing best practices associated with Sarbanes–Oxley requirements.

Objectives

The primary objectives of the Act seek to improve corporate management, financial reporting, internal controls, and executive conduct by:

- Enhancing the integrity and reliability of financial reporting
- Strengthening corporate governance and accountability
- Improving disclosure
- Increasing oversight and enforcement of federal securities law
- Heightening auditor independence

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**NEW SECTION**
## 7.02 Code of Business and Fiduciary Conduct

Purpose

All employees of the Board of Regents and its institutions play a role in ensuring that the resources entrusted are protected, preserved, and enhanced. This Code sets forth the fundamental expectations relating to all business and fiduciary conduct. The Code is not intended to modify or restate policy. Instead, this is the Board of Regents' statement of the underlying principles by which it expects those with business and fiduciary responsibilities to carry out their duties.

1. Fairness, integrity, respect

   The Regents value fairness, integrity, and respect, and strive to integrate these values into their business practices. All faculty, staff, students, and administrators are expected to act at all times with fairness, integrity, and respect for others. This standard applies to interactions with the public, contractors, students, and coworkers.

   The Regents value self–expression. Faculty and staff members are responsible for promoting a spirit of respect that reflects a commitment to tolerance and diverse points of view.

2. Accountability

   Employment by the Board of Regents and its institutions also requires a commitment to work diligently, to perform assigned duties and to strive to meet the objectives, goals, and missions of the organization. Employment responsibilities are to be carried out in a manner that promotes and protects the institution's best interests. Employees should not use their positions to advance their own personal interests over the institution's. Objectivity in decision making is a key component in complying with the standard of accountability. Discretion and recognition of the obligation to treat certain information with confidentiality is a responsibility of all employees.

3. Compliance with law

   Persons acting on behalf of the Board of Regents and its institutions are individually accountable for their own actions and, as members of the Regent community, are collectively accountable for upholding these standards of behavior and for compliance with all applicable laws and policies.

   Employees should take no action for the purpose of rendering the institution's financial statements materially misleading. In particular, no one should take action to influence, coerce, manipulate or mislead an auditor engaged in the performance of an audit for the purpose of rendering the institution's financial statements materially misleading

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Senior Management

By virtue of their leadership status, members of senior management have the responsibility for not only complying with this Code of Business and Fiduciary Conduct but also bear responsibility for “setting the tone” for the Board of Regents and its institutions. This added ethical responsibility requires senior management to:

- Provide leadership and vision and serve as role models as stewards of the institution’s finances, assets, resources and business processes
- Avoid actual or apparent conflicts of interest involving personal and professional relationships
- Work to promote, by personal example, ethical behavior among employees
- Communicate to employees the content of the Code of Business and Fiduciary Conduct and strive to ensure that the standards of professional conduct it describes are met
- Create realistic expectations and clearly indicate that integrity is not to be compromised in order to achieve results
- Create an environment encouraging employees and others to report policy and law violations promptly, and which protects such persons from retaliation.