ETHICS AND COMPLIANCE COMMITTEES OF CORPORATE BOARDS: RATIONALE, DOMAIN, AND SKILL SETS OF MEMBERS

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Abstract

The central issues examined in this article are the extent to which U.S. corporate boards have established ethics and compliance committees and the underlying reasons accounting for the development of such committees. The reasons include the evolving legal environment of business, including regulatory compliance responsibilities, and the expanding ethical responsibilities. This paper then examines the skill set of members of ethics and compliance committees and finds they have a different profile from members of either audit committees or public responsibility committees and a profile that seems suitable to their responsibilities. In that sense, they might provide a model for other companies that form ethics and compliance committees in the future.

Keywords: Corporation Law, Compliance, Board Committees, Board Composition, Ethics

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1. INTRODUCTION

Since 1970, there have been two waves of pressures on corporations that have raised questions about the capacity of the corporate board of directors and it's traditional committee structure to handle those pressures. The first wave of activity, starting in the 1970s, involved the rise of social movements and their pressure on corporate policies and practices. The second wave, starting in the new millennium, involves the acceleration of internal scandals and corporate illegality, starting with scandals surrounding Enron and WorldCom in the U.S. and Parmalat in Italy. Each wave of activity stimulated the growth of non-traditional board committees. The first wave produced public responsibility committees of the board, and the second is stimulating the formation of ethics and compliance committees. This article focuses on three aspects of ethics and compliance committees – the rationale for their rise and importance, the method of determining their jurisdictional domain, and the skill set of their members.

The first part of this article reviews the relevant literature related to this article. The second part examines the rationale for the rise of ethics and compliance committees. Part three then explains the method of determining their domain, and part four examines the skill set of their members. Part five of the article then examines further research questions on board committees suggested by this article.

2. LITERATURE REVIEW

Because ethics and compliance committees are at the incipient stage of development, there is almost no mention of them in the literature on corporate governance and no developed sub-field. The most prominent board committees are the traditional audit, compensation, and nominating committees, on which there is a significant literature. More directly related to this article is a limited literature on public responsibility committees.

The social movements and issues of the 1970s had a major impact on corporations at both the management and board levels and led to the development of public issues committees or public responsibility committees. What started at the management level gradually percolated upward to the board level. The race riots in American cities in the late 1960s brought civil rights to the forefront as a challenge to corporations, leading to an emphasis on minority hiring and minority relations. That, in turn, led to the development of corporate urban affairs initiatives as part of corporate public affairs departments (Holcomb, 2005). Major lawsuits against corporations also propelled the issue of women's rights forward, and environmental and consumer issues arose during the same era. The impact was an emphasis on corporate social responsibility and the rapid growth in the number of corporate community relations and social responsibility departments, along with programmatic initiatives (Holcomb, 2005; Dickie and Mahon 1983).

Shareholder resolutions on social issues became prominent during the 1970s as well, sponsored mainly by the Interfaith Center on Corporate Responsibility (Vogel, 1978). One such resolution, sponsored by Ralph Nader and targeting General Motors Corporation, led to the formation of a public responsibility committee of the GM board. That development spurred other corporations to also form such a board committee, under various labels, such as public issues committee; corporate responsibility committee; environmental, health, and safety committee; and more often today, sustainability committee. By 1977, a substantial number of major corporations had created a public responsibility committee at the board level, and studies tried to determine whether such committees had a real impact or were merely symbolic window-dressing (Lovdal, Bauer, and Treverton, 1977). In 2016, according to a count performed for this paper, forty-six of the Fortune top 100 corporations have such a committee.

Since the causes for the creation of such committees relate to external pressures, it is not surprising that the jurisdictions of such committees relate to external issues, such as public policy and social concerns, the typical domains of corporate public affairs departments. The responses by corporations to those issues, in turn, relate to government relations, corporate philanthropy, and community involvement (Holcomb, 2005; Dickie and Mahon, 1983).

Beyond the limited literature on public responsibility committees, there is a related literature on board composition, and especially on the diversity of corporate boards, which in turn emphasises gender diversity. That literature is related to this article's later examination of the skill set of board committee members. The literature on board diversity focuses on the growth of gender diversity on corporate boards, with much cross-national variation, remaining barriers to diversity, and the critical mass of three to four women directors that is necessary for meaningful impact (Nolan, Moran, and Kotschwar, 2016; Butler, 2012; Fairfax, 2006). The literature also finds that women on boards produce a number of important benefits to corporate decision-making (Fairfax, 2005). Along with the literature on board independence, the literature on corporate board diversity also examines the link between diversity and corporate financial performance. On that topic, the studies find a positive correlation, find no correlation, or are mixed (Erhardt, Werbel, and Shrader, 2003; Fairfax, 2006; Adams and Ferreira, 2009; Ahern and Dittmar, 2012; Campbell and Minguez-Vera, 2008; Dale-Olsen and Verner, 2014).

3. RATIONALE FOR ETHICS AND COMPLIANCE COMMITTEES

While the focus of public responsibility committees is on external concerns and pressures, the focus of ethics and compliance committees is on internal ethical and legal concerns. The corporate scandals and crises since the Enron collapse in 2001 and disclosures of other corporate wrongdoings since that time (BP, Hewlett-Packard, JPMorgan Chase and other financial institutions, Toyota, General Motors, Volkswagen) have raised questions about corporate boards of directors and their complicity in the scandals. Those questions, along with the passage of the Sarbanes-Oxley Act in 2002 and the Dodd-Frank Act of 2010, have elevated the accountability of board audit committees and strengthened their independence. The focus on the traditional audit and compensation committee has, in turn, increased the activity and workload of committee members. Not only has the workload increased, but also so has the liability concern for board committee members (Buchalter and Yokomoto, 2006). Beyond those pragmatic concerns, there are several other reasons a board might want to create an ethics and compliance committee.

4. RISK MANAGEMENT

Due to the scandals and financial collapse of 2008, there is now a greater focus on enterprise risk management (Arjoon, 2006; Hurt, 2014; Hill and McDonnell, 2013). While audit committees focus primarily on financial risk management, they may not have the skills or capacity to also focus on other risks. Those risks include political risk, environmental risk, climate risk, governance risk, litigation risk, regulatory risk, product integrity risk, disaster risk, cyber-security risk, and global terror risk. While a public responsibility committee might assist in monitoring the external business environment, and the effectiveness of certain external corporate programs, its purpose is not to focus on internal risk management. To handle that charge effectively would require a skill set, the range of experiences, connections, and internal influence that a public responsibility committee is not necessarily designed to possess.

4.1. Legal Risk Management

With the increase in regulation and litigation now faced by corporations, there are a number of related justifications for an ethics and compliance committee. Regarding just the compliance function, there are several new legal reforms that demand a role by the board. First, there is growing emphasis on the *Caremark* duty for corporations to monitor internal controls. That duty, established by 1994 case law, includes the related responsibility to ensure that a system of internal controls is established in the first place, and that is then operating effectively (Elson and Gyves, 2004; Langevoort, 2006).

The importance of that duty has since been reinforced by other legal developments. The U.S. Sentencing Commission Guidelines and their amendments have established mitigating factors that would allow convicted corporations to lower their sentences by adopting effective internal controls. Two of those controls would involve effective remedies of any current misconduct, along with steps to prevent future violations. In order for corporations to avoid a legal charge and escape culpability, not merely lower their sentence, the charging guidelines of the Department of Justice and of regulatory agencies, include similar incentives to adopt effective internal controls (Hasnas, 2014; Wray and Hur, 2006).

Further, ever since the conviction of the Arthur Andersen auditing firm in 2002, which led to its demise, the government has increasingly used deferred prosecution agreements (DPAs) and consent agreements with companies, in order to preserve their existence while requiring remedial action (Cunningham, 2014; Greenblum, 2005). As a condition imposed by those DPAs, corporations must again adopt effective internal controls to prevent any future misconduct, and the government often appoints monitors to ensure compliance with the internal controls (Ford and Hess, 2009). Those monitors are usually former federal judges, regulatory enforcement officers, or experienced corporate compliance officers. To fulfil the monitoring duty, corporations can use just internal monitors or turn to external sources, including journalists, to spot compliance problems and violations (Borden, 2013). Whether to directly monitor internal controls or to work with court-appointed monitors, an ethics and compliance committee would be a more suitable entity of the board than any other committee. In fact, once such an effective committee became commonplace, a judge might even order a reporting relationship between outside monitors and the board committee or take the further step of even ordering the establishment of an ethics and compliance committee.

Beyond the forces leading to internal controls, corporations often establish special committees of the board to investigate corporate legal violations, to determine what voluntary actions the companies might take, or to determine whether lawsuits against management or any directors are justified. Those special committees are called Zapata committees in the U.S., named after an important legal case. Once such committees have completed their investigations and made recommendations, the ethics and compliance committee could follow up by monitoring compliance with the recommendations, or perhaps even contest the recommendations. By serving as an expert counsel to the board, the committee might even prevent the need for an internal investigation and save the cost of conducting one. Special committees or ethics and compliance committees might serve as an answer to critics who have advocated that boards outsource some of their key functions to other expert organisations with more competence than boards often possess (Bainbridge and Henderson, 2014).

4.2. Ethical Risk Management

Related to the compliance function, and also as a key ingredient of most ethics programs, corporations have established hotlines for whistle-blowers to report potential legal or ethical violations (Modesitt, 2013). While audit committees generally monitor and supervise responses to whistleblowing reports, an ethics and compliance committee might better review any reports on non-accounting or non-financial issues. Just the existence of such a committee, with the title of ethics and compliance, might encourage employees to report a broader range of violations.

Too often, legislatures pass laws to address a previous scandal or crisis, while scandals on new issues are brewing. Communicating to employees that a review mechanism exists to address a broader range of non-financial risks might enable the company to better anticipate and manage new problems on the horizon. Perhaps in partnership with the public responsibility committee, should the company have one, the ethics and compliance committee might detect and identify red flags of possible threats or developing pressures. By following media reports and stakeholder input, the committee might enable the board to address protests or complaints before they fester. In fact, having an ethics and compliance committee could be part of the board's *Caremark* duty to monitor internal controls.

Having an ethics and compliance committee might also provide a support system for the corporate ethics officer. As part of consent decrees or DPAs, a separate compliance function is sometimes ordered, not connected to the legal department, to give it more independent standing (Adobor, 2006; DeStefano, 2014). With a board committee on ethics and compliance, a consent order or DPA might also require the compliance function to report to that committee and thus have a direct access point to the board. Perhaps Kevin Hunsaker, the former ethics officer for Hewlett-Packard, would not have been so willing to approve of a problematic program of privacy invasion of board members and reporters, had he reported first to an ethics and compliance committee of the board. Due to his cursory legal analysis of the program instituted by the board chair, Hunsaker was later prosecuted for invasion of privacy by the state of California (Rodell, 2007).

The literature on corporate codes of ethics demonstrates that codes are not sufficient to produce an ethical corporate culture. There must not only be training and evaluation of employees, and employee participation in designing codes, but there must also be a tone at the top that reinforces the importance of an ethical mission (Stevens, 2008; Stucke, 2014). An ethics and compliance committee could symbolise and reinforce the tone established by the CEO and top management team, and assist in shaping and supporting an ethical corporate culture. The committee, by monitoring the enforcement of the code and periodically reviewing it, could also emphasise its importance.

An ethics and compliance committee might also assist in avoiding or managing a crisis by supervising an investigation, by framing a crisis response and response to critics, or by supervising and recommending new policies or procedures. Its existence, along with the functions it fulfils, might also enable the company to defend or rebuild its reputation.

As part of ethical risk management, an ethics and legal compliance committee could anticipate and monitor emerging social issues that might have an impact on the corporation, and be an access point to the board for corporate issue managers. There might be some division of labour with the public responsibility committee on such a monitoring function, based on whether the issue was primarily one of the external relations or one that could turn into a legal compliance problem. For instance, while the issue of the pay gap between CEOs and average worker pay is subject to regulation under the Dodd-Frank law in the U.S., the pay gap issue is also evolving on a global basis and could create regulatory pressures or demands in other countries

(Pagnattaro and Greene, 2011; Thomas, 2004; Thomas and Van Der List, 2015).

Beyond that emerging issue, the sustainability issue increasingly carries with it legal consequences for corporations, which an ethics and compliance committee could monitor and manage (Sarfaty, 2013; Healy and Tapick, 2004). Issues proposed by social investors or related to corporate social responsibility that might have impacts on internal policies could also come within the jurisdiction of an ethics and compliance committee (Neitz, 2015; Padfield, 2015; Pearce, 2015; Stout, 2013; Rehbein, Logsdon, and Van Buren, 2013). NGOs are increasingly promoting issues of religious freedom and human rights, and ethics and compliance committees would be the appropriate committee to monitor stakeholder engagement and regulatory compliance on those issues (Bernal and Olsen, 2016; Neitz, 2015; Martin, 2013; Dallas, 2005). Further, tax avoidance and inversions are subjects of political pressure and possible regulation, along with investments in terrorist-harboring regimes, both issues that could come before an ethics and compliance committee (Anderson, Collins, Klinger, and Pizzigati, 2011; Westbrook, 2010).

5. DOMAIN OF ETHICS AND COMPLIANCE COMMITTEES

As a first step in determining whether or not a corporate board actually has an ethics and compliance committee, it is useful to know that committee functions can travel under different names. In fact, the title ethics and compliance is never used, but those functions are carried out by committees with such labels as regulatory risk and compliance, corporate responsibility and compliance, or regulatory, compliance, and public policy. In fact, each committee that has bona fide ethics and compliance responsibilities has a different name, as shown in Table 1.

Table 1. Corporations with board committees on ethics and compliance

Company	*Committee*
Abbott Labs	Public Policy
Johnson & Johnson	Regulatory, Compliance, and Government Affairs
Pfizer	Regulatory and Compliance
Amgen	Corporate Responsibility and Compliance
AIG	Regulatory, Compliance, and Public Policy
Morgan Stanley	Risk
Hartford Financial Services	Finance, Investment, and Risk Management
Travellers Companies	Risk
Baker Hughes	Governance, Health, Safety & Environment
Duke Energy	Regulatory Policy and Operations
Exelon	Finance and Risk
Occidental Petroleum	Environmental

To discover and confirm the duties of any board committee requires some in-depth research of committee charters. While the author recognises that a board committee might either fall short of or go beyond the duties in its charter, the charter is still the best publicly available information on the domain and duties of a committee. For purposes of this article, the author and researchers for this article did a content analysis of the charters of all the board committees of the Fortune top 200 corporations that potentially might have ethics and compliance duties. We also found that the longer the charter, and the more frequently the committee met, the more likely it was to take ethics and compliance responsibilities seriously. Fortunately, all of that information is posted on corporate websites for U.S.-based corporations, including committee charters and the frequency of committee meetings (recognising that some committees may meet more frequently than the posted requirement, e.g., of meeting once a quarter)

In companies that have only traditional board committees, charters of audit committees indicate that they engage in oversight of ethics and compliance. For companies that have both an audit committee and a committee with a name that suggests ethics and compliance duties, we were careful to determine whether the ethics and compliance committee, was actually handling those duties, as opposed to the audit committee being the prime mover in the area. We wanted to avoid taking seriously the role of a committee that might have actually been window dressing. Recognising that most audit committees of those company boards would still monitor compliance with financial regulations, this study focused on those committees that emphasised compliance with nonfinancial regulations, standards, or pressures, along with other ethical issues.

Having conducted the foregoing research, this study found twelve companies out of the top 200 corporations that have board committees focused primarily on ethics and legal compliance. They are listed in Table1, along with the names of those committees. It is noteworthy that of those twelve companies, four are in the financial sector, four in the pharmaceutical sector, and four in the energy sector. All three of those sectors have experienced public policy pressures and are under regulatory scrutiny. In fact, given the financial collapse of 2008, it may be surprising that more banks and financial institutions have not created board committees on ethics and legal compliance. Of all of the committees listed, the Pfizer regulatory and compliance committee seems the most impressive, and suitably Pfizer has received awards for its governance process, even though it has experienced a CEO compensation scandal (Elkind and Reingold, 2011).

6. SKILL SET OF ETHICS AND COMPLIANCE COMMITTEE MEMBERS

Beyond examining the rationale for the growth and importance of corporate ethics and compliance committees, and the extent and roles of such committees, this paper will also examine the skill set of committee members. By doing so, the article hopes to ascertain whether the serious ethics and compliance committees of current times have a different skill set than other related committees and whether that skill set seems appropriate to the committee's functions. If the current skill set does seem viable and appropriate, then perhaps existing committees might serve as models for committees that other companies decide to create. If current committees fall short in possessing necessary skill sets, that might be a warning to other companies yet to form such committees.

While some scholars claim that examining skill sets is too daunting a task to accomplish, given the information available, this study found that some sources provide at least some suggestive information. While corporate websites provide only rudimentary information on director background factors, a web search of director names provides valuable supplementary information. In order to consistently compare background factors, the research for this article examined the following background factors: advanced degrees, corporate officer title, government experience, non-profit experience, and gender. Other variables, such as age and tenure on the board are likely less relevant as qualifications for a seat on an ethics and compliance committee.

The field of an advanced degree, whether that degree is a PhD, J.D., or MBA, might provide a more suitable background for one committee than for another. A corporate officer title might indicate a greater level of power or leverage on the entire board. Government experience would bring more knowledge of public policy and possible connections to government, especially if the director is a former agency commissioner or director. Non-profit experience, as either a trustee or non-profit administrator, would bring greater understanding of the external social and political environment. Finally, women on a committee might bring a greater understanding of the human elements and collaborative skills needed to create a successful ethics and compliance strategy or approach.

In order to make some useful comparisons, this study examined the foregoing background factors of all the directors on the twelve ethics and compliance committees mentioned and compared them to all the directors on the public responsibility and audit committees of the Fortune top twenty companies. The results are in Table 2.

Table 2. Backgrounds of board committee members

Committee	*PhD.*	*J.D.*	*MBA*	*M.A. MD MPA CPA*	*Female*	*Public or Gov't Service*	*Non-Profit Roles*	*CEO*	*CFO, COO, CTO*
Audit Committee Members	14%	8.4%	31%	8%	36%	15.7%	43%	12%	3.6%
Ethics & Compliance Committee Members	16%	24%	17%	11%	28.6%	30%	54%	54%	6.3%
Public Responsibility Committee Members	14%	12%	27%	11%	37.5%	27%	52%	59%	8%

The findings reveal some useful comparative data. On the factor of advanced degrees, there is no major difference in the number of PhDs on each of the three types of committees, with 14 to 16 percent of the audit, public responsibility, and ethics and compliance committees having PhDs. That is not an important differentiating factor. For J.D.s, however, there is a substantial difference. While almost a quarter of ethics and compliance committee members have a J.D. degree, that is twice the percentage of those on public responsibility committees with a J.D. degree, and almost three times as many of those on audit committees with a J.D. degree. There are two plausible inferences from that finding. First, ethics and compliance committees have an appropriate legal skill set on those committees, given their function. Second, audit committees, with only about 8 percent of members in this sample having a J.D. degree, may not be as well equipped to monitor legal compliance, especially of nonfinancial regulations.

There is only one major study on the presence and impact of lawyers on corporate boards, and it concludes that lawyers are more likely to be independent and also bring other benefits to the corporation. As the study finds:

"The benefits of lawyer-directors in today's world significantly outweigh the costs. Beyond monitoring, they help manage litigation and regulation, as well as structure compensation to align CEO and shareholder interests. The results have been an average 9.5% increase in firm value and an almost doubling in the percentage of public companies with lawyer-directors (Litov, Sepe, and Whitehead, 2014)."

In addition to the increase in firm value that lawyer-directors create, they also reduce and mitigate risk-taking (Litov, Sepe, and Whitehead, 2014).

Meanwhile, audit committees have a higher percentage of members with the MBA degree than members of ethics and compliance committees, and slightly higher than members of public responsibility committees. One might argue that an advanced business education is more appropriate for audit committee members than for members of the other two committees. The other notable and unsurprising finding, not obvious from Table 2, is that having a scientific or medical background is more common for committee members of pharmaceutical companies than for financial or energy companies.

Moving to the factor of previous public service or government experience, it is again revealing that almost twice as many ethics and compliance committee members have that type of background than do members of audit committees, with members of public responsibility committees also having a high percentage of members with government experience. With about thirty percent of ethics and compliance committee members having such a background, one might infer that is highly appropriate for a committee that needs to have experience with government regulation and public policy. It is likewise appropriate that a public responsibility committee would have members with a similar background, as is the case. One might also infer that audit committees are not as well equipped to handle general issues of regulation and public policy since they are more narrowly focused on financial compliance.

As for non-profit leadership roles, it is impressive that over half of the members of ethics and compliance committees, and of public responsibility committees, have such backgrounds. Given that those backgrounds provide a better window to the world than simply a business background would, it is appropriate that both the ethics and compliance committee and the public responsibility committee have a heavy representation of that background. Audit committees have a somewhat lesser emphasis on non-profit backgrounds, but still, give it an important emphasis. For ethics and compliance committees and public responsibility committees that deal with social and human rights issues, it is imperative that they can work with and communicate with non-profit and nongovernmental organisations.

Regarding the presence of senior corporate officers on ethics and compliance committees, and even more so on public responsibility committees, it is surprising that well over half of those committee members are CEOs or former CEOs. That may very well symbolise the power of such committees and indicate that those committees are hardly window dressing. If rank and title are some indication of power, it is also surprising that only twelve percent of audit committee members are present or former CEOs, given that audit committees are considered one of the most powerful committees. It is also interesting those other senior corporate officers, whether COOs or CFOs, are less prevalent on audit committees than on ethics and compliance committees and public responsibility committees.

There are more notable differences among the committees on the foregoing background characteristics than on gender. Well over one-third of audit committee members and of public responsibility committee members are women, while almost thirty percent of ethics and compliance committee members are also women. This confirms the conclusion of an earlier study that women are not tokens and are not being relegated to less important roles, but are equitably being represented on audit committees (Peterson and Philpot, 2007). Even without board gender quotas of 30 to 40 percent, typical in Europe, women are represented on these committees in virtually equivalent numbers (Grosvold, Brammer, and Rayton, 2007). For advocates concerned about the existence of a critical mass of women on corporate boards, some important committees in major corporations are meeting that goal.

7. FUTURE RESEARCH

The development of ethics and compliance board committees, along with the earlier growth in the numbers of public responsibility board committees, are important phenomena and should be continually examined as they advance from their current stages of development. Also in the incipient stage of scholarly study are background factors of board members and of members of key committees. Especially as the skill set of boards becomes scrutinised more closely in the wake of corporate scandals and corporate failures, and as succession planning has arisen as a more critical factor of corporate governance, scholars should focus more on the skills and backgrounds of corporate board members. As activists and institutional investors introduce more shareholder resolutions on succession planning, and as regulations place greater emphasis on the composition of corporate boards, background factors and skills warrant more attention.

The methods used in this study, of examining board committee charters and of gathering information on director skill sets, seem to be in their infancy and are ripe for further use and application. Scholars might engage in more refined analysis of committee charters and might develop other categories of director backgrounds to explore. Even the background categories explored in this article might be broken down into sub-categories. Rather than focusing on non-profit experience in general of board committees, studies might examine experience in certain niches, such as experience with business associations and business policy organisations, as opposed to other types of charitable non-profit organisations. On the dimension of diversity, while current studies have focused on gender diversity on corporate boards, future research might focus on other aspects of diversity, including international diversity on corporate boards.

There are two other types of studies that might reap major dividends. First, the link between any type of board committee, especially of the non-traditional type explored in this study, and financial performance, could complement the literature on the link between other corporate practices and financial performance. Second, studies of the relationship between the formation of ethics and compliance committees and the reduction of corporate law violations would be worth exploring. From such studies, a stronger case for the development of such committees might be made. It would also be worth examining the timing issue and whether the creation of ethics and compliance committees occurs after legal violations and might prevent future misconduct.

Corporate governance critics and scholars have long focused on board independence and have found that the detailed listing standards on independence do not ensure that boards and key committees actually behave in an independent manner, sometimes exacerbated by cronyism and the social ties among board members (Brown, 2015; Fink, 2006; Grant, 2014; Morgenson, 2013). It is also important that members of ethics and compliance committees act independently; so future research might focus on the direct or indirect ties between those directors and management. That current members of ethics and compliance committees have extensive backgrounds in government and non-profit experience, along with senior executive experience, indicates they might be predisposed to behave independently, but further research on independence might test that hypothesis.

8. CONCLUSION

This article has examined two important developments in corporate governance. It has first found that certain troubled or heavily scrutinised industries have developed ethics and compliance committees of their corporate boards and has done so by carefully examining the charters of a variety of board committees. This article also corroborates the finding of earlier studies that major corporations have also created public responsibility committees, in even greater numbers. While public responsibility committees focus on important external issues, ethics and compliance committees are more crucial in focusing on major issues of internal ethics and legal compliance.

This study has secondly examined the background factors and skill sets of members of ethics and compliance committees, of public responsibility committees, and of corporate audit committees. It has found that there are important differences in the skill sets of each committee, especially regarding advanced education, government experience, non-profit experience, and level of corporate experience. Most of these differences fit the domains of the various committees. While members of ethics and compliance committees more typically and appropriately have a legal education, members of audit committees more typically have a business education. Members of both ethics and compliance committees and of public responsibility committees have deeper backgrounds in government experience than do members of audit committees, while they all have vast non-profit backgrounds. More surprising was the finding that members of ethics and compliance and public responsibility committees are much more likely to have CEOs or former CEOs as members than are audit committees, demonstrating the power and stature that the non-traditional committees are acquiring.

There are few weaknesses that are evident in the composition of current board committees on ethics and compliance and on public responsibility. This is also true when considering the gender diversity that is obvious on such committees. As more companies face the need to develop either ethics and compliance committees or public responsibility committees in the future, they, therefore, have some good models to follow.

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