The SEC Says "CEOs Can Tweet."

But do you want to when your board may not understand why you are doing this and how it is translating your business strategy for connected customers, investors and employees?

I was recently quoted in a NACD Directorship article about **New SEC Guidance OKs C-suite Tweets.** Like me, you may have been born analog but the time is now for you and your board to start thinking digital.

How is your company addressing the digital transformation?

- Has your board even discussed social media and its potential impact on the company? Is it on the agenda?
- What is your social media strategy and how is it governed?
- Does the board/company have a plan/policy for dealing with the opportunities and risks social media presents?
- Do you have corporate policies in place for dealing with social media across the enterprise?
    - For employees, customer service, contractors?
- Does your corporate shareholder disclosure policy consider social media or was it last updated before Facebook hit one billion users?
- Have you and your board thought about how social media would impact your company/valuation and reputation in the event of a crisis situation?
    - Are you assured that you could defend against an attack?
- Does the board know what is being said about the company in social media or how it is being used by customers, investors, employees?
- Are you mining the social media for competitive intelligence that can inform your business strategy?

Contact us today to help you address these issues for your board and map this risk for effective oversight while growing a profitable, sustained business future.

About Risk for Good

Founded in 2010, Risk for Good is an advisory firm focused on providing counsel to boards and C-level executives on emerging issues including digital/social technology, sustainability/CSR and next-gen talent. These changing trends are reshaping businesses and yet many board members and c-level execs are not yet focused on them.

In our hyper-connected, mobile world these areas are strategic imperatives that can't be ignored. The firm's founder Fay Feeney, CSP, ARM, is an NACD Board Leadership Fellow, and EVP of the NACD Southern California Chapter and also chairs the board of the American Society of Safety Engineers Foundation. She is a frequent speaker on the topics on emerging board trends and value of the informed board.

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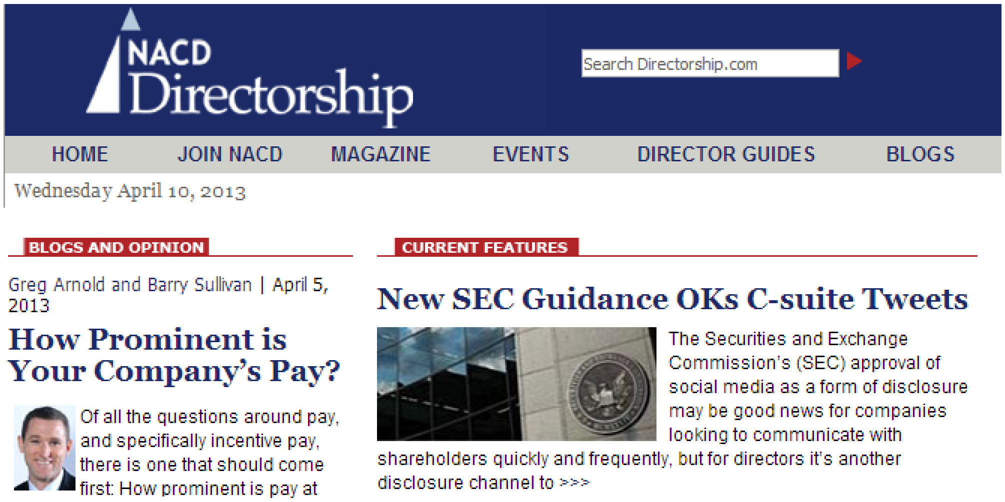

By Cheryl Soltis Martel

April 4, 2013

New SEC Guidance OKs C-suite Tweets

The Securities and Exchange Commission's (SEC) approval of social media as a form of disclosure may be good news for companies looking to communicate with shareholders quickly and frequently, but for directors it's another disclosure channel to scrutinize. The new guidance, released Tuesday by the SEC, allows companies to disclose pertinent information on social media channels, provided investors have been told which channel will be used to share information.

To read the SEC's social media guidance, click here [1].

The release of these guidelines stems from a 43-word Facebook post [2] Netflix CEO Reed Hastings typed in July 2012, noting that subscribers had watched 1 billion hours of video in June. The day after Hastings' post, Netflix stock rose 6 percent, leading the SEC to investigate whether the the company may be violating the Regulation Fair Disclosure rule. Reg FD requires all investors to receive information that could affect company stock at the same time. The SEC ultimately did not initiate an enforcement action against Hastings or Netflix, but the commission did note that personal social media accounts of executives would generally not be considered the appropriate channel for disclosure, unless investors are expressly told this channel may be used in that manner.

In the guidelines, the SEC suggests companies could note on websites and press releases that they will use social media to make key announcements and also provide web addresses for their social media pages so investors can prepare.

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“The SEC ruling just confirms what we already know—social media is here, and here to stay. It’s just another channel of information, like the World Wide Web before it and faxes and mailed press releases before then,” said Anne Sheehan, director of corporate governance at CalSTRS, when asked for her reaction to the new guidelines. “As long as it’s open and democratic, available for all to see, we’re all for it. Hash-tag, CalSTRS!—and friend us, too.”

The Center for Audit Quality (CAQ) Executive Director Cindy Fornelli commended the SEC’s guidance in a statement released Tuesday, noting that while she was deputy director of the Division of Investment Management when the SEC first allowed an electronic-only variable annuity offering, “I observed firsthand how quickly unprecedented change in providing access to information can be accepted as the status quo.

“Adapting new technologies such as social media to provide increased information in real time to investors from Wall Street to Main Street is in the best interests of all capital market stakeholders,” Fornelli said.

While the SEC’s embrace of social media for disclosure may be good news for investors, directors may need to step up their pace of adaptation to such digital channels. According to a 2012 study [3] by The Conference Board and the Rock Center for Corporate Governance at Stanford University that surveyed more than 180 senior executives and directors of North American public and private companies, more than 90 percent of survey respondents say their companies do not have a board committee that is responsible for social media oversight.

Before a board can consider delegating social media responsibilities to a committee, it must first find a place on the agenda, notes Fay Feeney [4], CEO of Risk for Good, an advisory firm focused on helping the C-suite close information gaps on emerging issues for their board. “The board has some listening to do on where and how social media is being used by customers, investors, and employees,” she explains. “This is a full board exercise to understand how and who is speaking for and about the company. Once the board understands the context for social technology for their company they can take on governing.”

While having a committee to specifically address technology and social media may not be necessary for every company, having a board member with digital expertise may be useful. “Just like boards have experts in financial management, operations, and strategy, they now need to recruit directors with deep expertise in today’s disruptive technologies—social, mobile, big data, and cloud,” suggests Barry Libert [5], CEO of advisory firm OpenMatters. “These technologies—when taken together—are fundamentally transforming industries, companies, and business models, and boards need to ensure they have the skills among their ranks—not just as consultants—to interpret and respond to these new digital realities.”

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Although directors have been hearing about the risks of not utilizing social media to monitor what is being said about their organizations and industries, they have yet to fully embrace these platforms and often are skeptical of the information provided, The Conference Board and Rock Center report noted. Forty-four percent of the survey respondents say the quality of information they receive on social media risks is mediocre or poor with 1 percent claiming it is excellent.

From an oversight perspective, this lack of knowledge about what their stakeholders (employees, customers, suppliers and investors) are saying and doing in today's social world is creating undue risk, Libert notes. "Many organizations, and their boards, are just beginning to realize the power of their connected customers to influence their financial and operating results as they use these new technologies to 'showroom' (real time comparative pricing with peers) as a simple example," he says. "As a consequence of this emerging reality, the SEC's recent announcement now enables boards to take a more proactive role in a hyper-connected, social world."

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Like any essential business technology, social media and networking can present substantial risks for companies, including:

- The loss of valuable intellectual property through users' sharing of copyrighted and trademarked information (notably a risk for media companies).
- Personal injury — libel or defamation risks — as a result of an individual's defamatory social media remarks for which the employer is held responsible.
- The spread of inaccurate or intentionally false information about a company's operations, particularly during critical periods, for example, ahead of a corporate earnings announcement or following a natural disaster.
- Negative and quick-spreading commentary about a company's business practices — for example, its customer service or charitable donations.

All of these examples carry a measure of reputation risk. In the absence of savvy management of social media and networking exposures, particularly during times of crisis, organizations could experience sudden and material impact to their brands and market values. (Marsh 2013)

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