



## **DUTIES AND REPOSIBILITIES OF A DIRECTOR**

There are seven statutory general duties for Directors, which are listed below with a number of practical considerations that Directors may wish to consider to identify whether and how they fulfil their duties. This guide is not a legal document and, where appropriate, legal advice should be sought.

1. A Director must act in accordance with the company's constitutional documents and only exercise powers for the purpose for which they are conferred.
2. A Director must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long term; the interests of employees, the community and the environment; and the desirability of the company maintaining a reputation for high standards of business conduct.
3. A Director must exercise independent judgment.
4. A Director must exercise the care, skill and diligence of a 'reasonably diligent person' having both the general knowledge, skill and experience reasonably expected of a Director in his or her position (objective test), and the general knowledge, skill and experience which he or she actually has (subjective test).
5. A Director must avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company and disclose immediately when such conflict arises.
6. A Director must not accept any benefit connected with his or her role as a Director from a third party unless it cannot reasonably be regarded as likely to give rise to a conflict of interest.
7. A Director must declare the nature and extent of any personal interest in a proposed transaction with the company to the other Directors before the company enters into the transaction.

### **Other duties that a Director should consider**

Whilst not exhaustive, and in addition to other duties which may explicitly be provided by applicable laws, that of a Director should include as follows:

- duty of confidentiality
- duty to devote time and attention
- duty to account to shareholders
- duty not to make 'secret profits'
- stewardship of the company assets



- a general duty to act in good faith
- duty to maintain books of accounts
- duty to file accounts, annual returns, and tax returns
- duty to maintain statutory books
- duty to ensure the company is complying with legislation including, in particular, those involving risk to third parties, for example, health and safety at work.

### **Connected persons**

Some Directors' responsibilities extend to their 'connected persons', for example, the requirement to have their actual or potential conflicts of interest authorized. The Companies Act defines connected persons fully, but mainly this extends to a Director's spouse, partner or children.