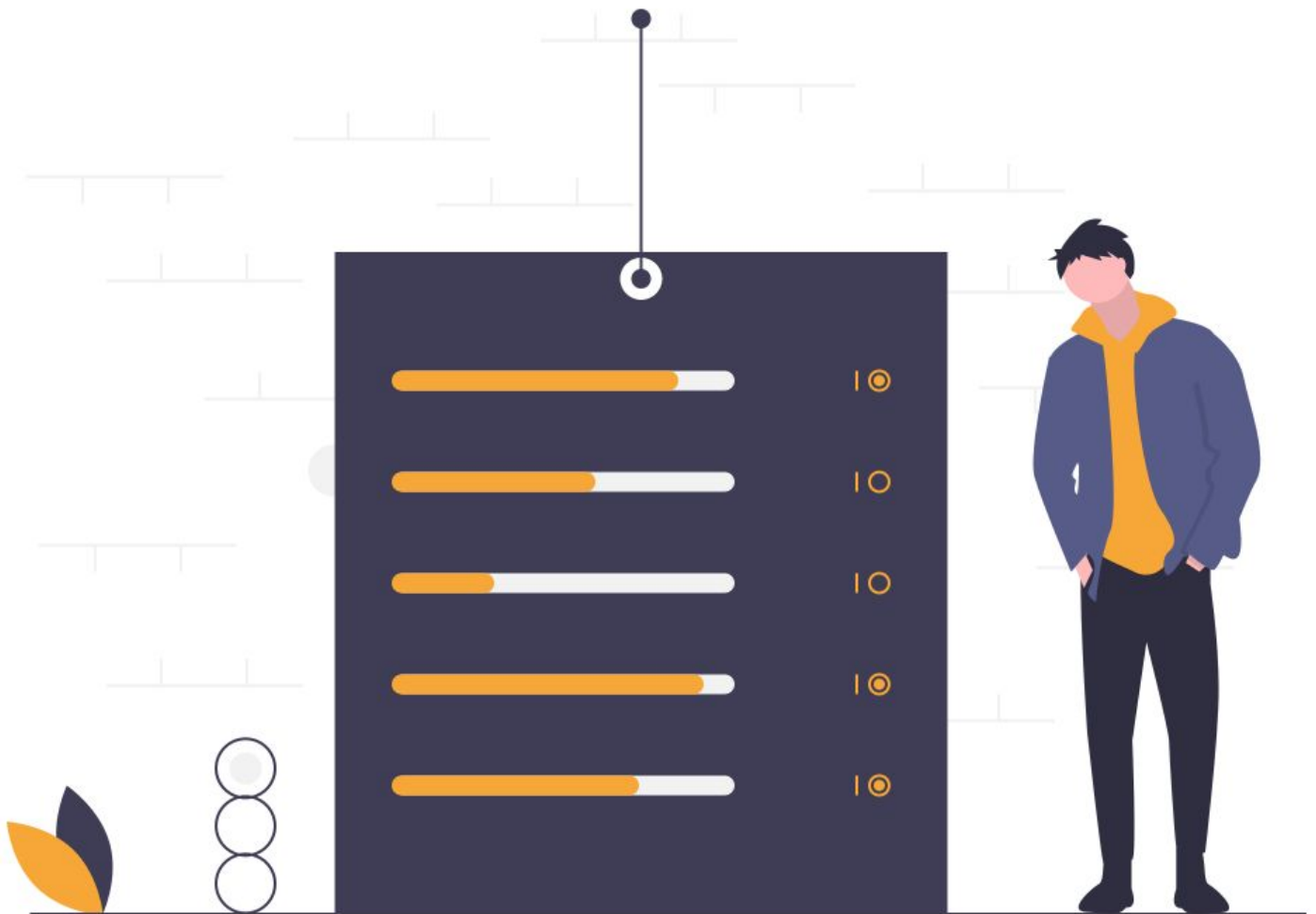


Responsibilities as a Director 7 Rules



RULE 1 - Your company's constitution

The first of these duties is that a director must act within their powers under the company's constitution. The most important part of the company's constitution is the articles of association. These are the set of rules for your company and for your board (if you have one).

This is not as scary as it sounds! When you registered the company, you may have used the model articles available for private or public companies – this is a standard set of rules. Alternatively, you may have created your own tailored articles, normally with the help of a legal advisor. It's important to be familiar with these, do they constrain your decision-making powers in any way? Are you financially liable for any financial losses?

We recommend you set up your business independent of your personal finances, and if you are in a joint venture, understand the role you play in decision making.

RULE 2 - Promote the success of the company

Sounds pretty obvious, of course you will be promoting your own company! The duty states a director must act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members (shareholders) as a whole. When making decisions, directors must also consider the likely consequences for various stakeholders, including employees, suppliers, customers, shareholders and communities. This is more relevant to larger corporations.

RULE 3 - Independent judgement

Directors must be responsible for their decisions – you should not act on the commands of others, of course it's vital to listen to experts, independent advisors and other professionals – but the final decision is yours.



RULE 4 - Exercise reasonable care, skill and diligence

This rule is about the need to exercise reasonable skill, care and diligence in your role. So if you have knowledge, skill or experience, you should use it! Anyone with specific professional training (eg a lawyer or accountant) are also expected to act in line with their knowledge they have.

RULE 5 - Conflicts of interest and personal benefits

This is about honesty, integrity and loyalty – to ensure your business is being run fairly and in the best interests of the business. If there's any conflict or in doubt here, notify your fellow board members. It will then be up to the other non-conflicted board members (or the shareholders, in some cases) to decide how to manage or approve the conflict and maintain the integrity of the board's decision-making process. Examples of conflicts of interest include situations where the director has relationships of a business or personal nature with people affected by the company's activities, or where the director may be considering taking advantage, on a personal basis, of property, information or opportunity which belongs to the company.

RULE 6 - Third party benefits

Gifts or benefits from others are lovely to receive – but may be viewed as a threat to a director's objectivity or a bribe. Directors have a duty to report these, this is normally more relevant in larger organisations who will have guidelines, and not applicable if you are sole owner! So if you get a nice box of chocolates, that's probably ok – but if you are gifted a Rolex, it's a good idea to tell your Board or other Directors.

RULE 7 - Interests in a transaction

You must tell the other directors and members if you might personally benefit from a transaction the company makes. An example here is if the company plans to enter a contract with a business owned by a member of your family.



Other duties

Just a couple more! These sound fairly obvious but worth being aware of - other duties you must perform as a company director include not misusing the company's property and applying confidentiality about the company's affairs.

Keeping a record

How can a director prove they've fulfilled these legal duties? One of the important purposes of the minutes of board meetings is to provide a record of the board's decision-making process.

By law, these minutes must be kept for 10 years. Years from now, it may be difficult for you to remember if you fulfilled your directors' duties in respect of some key decision. The minutes can provide vital evidence that you did.

There's a series of 5 bite size webinars here that will help to gain more information

https://www.youtube.com/watch?v=nbl_i7jp81U&list=PLmQfMXVhmXwWgdaPy5xsA762fRq9P3lr

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