

## Revision Summary Chapter 22

### Directors' duties

- Directors are under a duty to act in accordance with the company's constitution and to exercise their powers for the purposes for which they are conferred.
- Directors are under a duty to promote the success of the company for the benefit of its members, but in doing so, they must also have regard to the wider interests, such as those of the employees, suppliers, consumers, and the environment.
- Directors are under a duty to exercise independent judgment, but they can enter into an agreement binding themselves to a certain course of action where they believe it to be in the interests of the company.
- Directors are under a duty to exercise reasonable care, skill, and diligence when performing their functions.
- Directors are under a duty to avoid conflicts of interest, but a conflicting act will not constitute a breach of duty where the other directors authorize it.
- Directors must not accept unauthorized benefits from third parties. Receipt of such a benefit cannot be authorized by the directors, but it can be authorized by the members.
- Directors are under a duty to declare an interest in any proposed or existing transaction or arrangement. Failure to declare an interest in an existing transaction or arrangement will constitute a criminal offence.
- A director cannot have a guaranteed term of employment for over two years, unless it has first been approved by a resolution of the members.
- Where a director wishes to enter into a substantial property transaction with the company, the transaction will first need to be approved by a resolution of the members.
- No company can make a loan to one of its directors without first obtaining approval by a resolution from the members. Public companies cannot make a quasi-loan to, or enter into a credit transaction with, a director without first obtaining approval by a resolution from the members.
- Generally, a company cannot provide a payment for loss of office to a departing director for loss of office unless the members first approve that payment by a resolution.