

# Duties and Responsibilities of Company Directors in terms of the Companies Act

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12 May 2010

# Directors' Duties

The role and duties of directors vary according to the company's size, activities, internal governance arrangements and other circumstances of the company.

# Directors' Duties

## Companies Act 1995

Directors are the most important officials of the company and accordingly bear primary responsibility to ensure that the company fulfils its duties under the Companies Act

Art. 136A provides a statement of the “general” duties of Company directors

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## General Statement:

Directors are to act in good faith in the best interests and to promote the well-being of the company

Directors are not there to benefit themselves and they should avoid mixed loyalties or conflicts of interests

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# Directors' Duties

Directors can seek long-term best interests of the company. They may consider best interests of company's reputation and brand and in this long-term context safeguard also the interests of its workers, creditors and customers

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# Directors' Duties

Directors cannot compete with their company

Directors are jointly and generally liable; but one may take into account special duties assigned to particular directors

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# Directors' Duties

Companies Act also imposes **specific duties**:

**Example:**

- a) obligation to file resolutions
- b) obligation to convene an annual general meeting
- c) obligation to convene a general meeting upon a serious lack of capital
- d) obligation to prepare financial statements
- e) obligation to ensure accounts are not deficient

Each failure may constitute a contravention against the Act

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# Directors' Duties

Companies Act

general duties

specific duties

Other special legislation give rise to  
**special** obligations

e.g. VAT, Income Tax, consumer and market abuse regulation, financial, gaming and other regulatory legislation. Much depends on the activities carried out by the Company

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Important consideration:

If a director is not allowed to carry out his duties properly or he does not understand the company's operations or business activities, he should consider withdrawing from the Board.

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Law no longer sympathizes with the incompetent or careless director.

The old opinion that a director may be incompetent provided he is honest no longer reflects current standards and expectations.

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