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COIMBATORE – 641049

Department of commerce with professional accounting

21UCP552 – CORPORATE LAW

Unit 3

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Directors & Company Secretary in Corporate Law

A comprehensive classroom exploration of roles, responsibilities, and governance obligations – designed for law students and early-career corporate governance professionals.

CORPORATE GOVERNANCE

LAW & COMPLIANCE



Topics We Will Cover Today

01

Who Are Directors?

Types, appointment, and legal status

02

Duties & Liabilities of Directors

Fiduciary duties, statutory obligations, and consequences

03

The Company Secretary

Role, qualifications, and statutory duties

04

Board Dynamics & Governance

Board meetings, resolutions, and decision-making

05

Case Studies, Assignments & Q&A

Interactive application and take-home tasks



Classroom Engagement Overview

Each topic is paired with structured interactive activities:

- Quick Poll (3 min)
- Think–Pair–Share (3 min)
- Word Cloud Activity (3 min)
- Reflection (2 min)
- Group Activity with Outcome

Active participation is encouraged throughout. Come prepared to think critically, share openly, and engage with your peers.

Who Are Directors?

Types of Directors

- **Executive Directors** – involved in day-to-day management; hold an employment relationship with the company
- **Non-Executive Directors (NEDs)** – provide independent oversight without operational involvement
- **Independent Directors** – free from relationships that could compromise objectivity
- **Shadow Directors** – persons whose instructions the board habitually follows, even without formal appointment
- **Alternate Directors** – appointed to act in place of a director during absence

Appointment & Legal Status

- Appointed by shareholders via ordinary resolution or by the board under articles of association
- Directors are agents of the company – not personally liable for company debts unless specific exceptions apply
- Disqualification possible under the Company Directors Disqualification Act for misconduct or insolvency

Activity 1 — Quick Poll (3 min)

Instructor poses on-screen poll: **"Which type of director do you think holds the greatest accountability risk?"** Students vote live; discuss top results as a class.

Activity 2 — Think–Pair–Share (3 min)

Prompt: **"Can a person be a Shadow Director without ever attending a board meeting? Why or why not?"** Discuss with a partner, then share with the class.

Activity 3 — Word Cloud (3 min)

Students submit one word describing a director's most important trait. Live word cloud displayed and debriefed.

Activity 4 — Reflection (2 min)

Write: **"What surprised you most about how broadly 'director' is defined in law?"**

Duties & Liabilities of Directors

1

Duty to Act Within Powers

Directors must act in accordance with the company's constitution and only exercise powers for their proper purpose (*Companies Act 2006, s.171*).

2

Duty to Promote Success

Act in good faith to promote the success of the company for the benefit of its members as a whole, considering employees, community, and environment (*s.172*).

3

Duty of Care, Skill & Diligence

Both an objective standard (reasonable person) and subjective standard (actual knowledge and experience) apply (*s.174*).

4

Avoid Conflicts of Interest

Directors must not place themselves in positions where personal interests conflict or may conflict with company interests (*s.175*).

⚠ Real-World Example: In *Re Caremark International Inc. Derivative Litigation (1996)*, the Delaware court held that directors have an affirmative duty to implement reporting systems – failure to do so constitutes a breach of fiduciary duty.

 Quick Poll (3 min)

"Which director duty is most frequently breached in corporate scandals?"

Vote and discuss results.

 Think-Pair-Share (3 min)

"A director personally benefits from a contract awarded to their spouse's firm. Which duties are engaged?"

 Word Cloud (3 min)

Submit one word: **"What does 'fiduciary' mean to you?"** Compare responses across the class.

 Reflection (2 min)

Journal: **"If you were a director, which duty would you find most challenging to uphold consistently?"**

The Company Secretary

Role & Importance

The Company Secretary is the principal administrative officer of a company – a bridge between the board, shareholders, and regulators.

- Ensures compliance with statutory and regulatory requirements
- Maintains statutory registers (members, directors, charges)
- Organizes board and general meetings; drafts agendas and minutes
- Files returns with the Companies Registry (e.g., annual returns, change of officers)
- Advises the board on governance best practices and legal obligations

Qualifications

- Public companies must appoint a qualified secretary (s.273, Companies Act 2006)
- Qualifications include: ICSA/CGIUKI membership, solicitor, barrister, or chartered accountant
- Private companies are not required to have a secretary but many do for governance quality

Quick Poll (3 min)

"Did you know private companies are NOT required to have a Company Secretary?" Yes / No / Surprised – vote and discuss.

Think–Pair–Share (3 min)

"How does the Company Secretary differ from a Director in terms of legal authority and accountability?"

Word Cloud (3 min)

Submit: **"One word for the Company Secretary's most critical function."**

Reflection (2 min)

"What governance gaps might arise in a company that operates without a Company Secretary?"

Board Dynamics & Corporate Governance

Accountability

Clear roles, oversight and responsibility

Transparency

Open reporting, disclosure and visibility

Independence

Unbiased oversight and objective decisions

Integrity

Ethical culture, conduct and trust



Effective governance rests on these four pillars – each reinforcing the others in a well-functioning board structure.

Board Meetings & Resolutions

- Ordinary resolutions require a simple majority; special resolutions require 75%
- Written resolutions may substitute for meetings in private companies
- Minutes must be kept for at least 10 years
- Quorum requirements set by articles of association

👥 Group Activity (*Outcome-Based*)

Scenario: A board of 6 directors is split 3–3 on a major acquisition. The chair has a casting vote but a personal interest in the deal. Students must:

1. Identify the governance issues
2. Advise the chair
3. Present a recommended course of action



Expected Outcome: Students articulate conflict of interest rules, casting vote procedures, and the duty to promote success.

Interactive Case Studies

Case Study 1 – The Conflicted Director

Facts: A director of a retail chain awards a lucrative supply contract to a company in which she holds a 40% stake, without board disclosure.

Discussion Points: Which duties under the Companies Act 2006 are breached? What remedies are available to the company? Could she be disqualified?

Case Study 2 – The Absent Secretary

Facts: A public company fails to file its annual confirmation statement for two consecutive years. No Company Secretary has been appointed for 18 months.

Discussion Points: Who bears legal responsibility? What are the consequences for directors? How should governance be restored?

Case Study 3 – Shadow Director Liability

Facts: A major shareholder routinely instructs the board on strategic decisions via email; the board consistently follows these instructions without question.

Discussion Points: Does this constitute shadow directorship? What liabilities attach? How should the board protect itself?

 For each case, work in groups of 3–4. Prepare a 2-minute verbal recommendation as if advising the company's legal counsel.

Summary — Key Learning Points

Directors Are Agents

Multiple types exist; appointment method and legal status vary. Shadow directors carry real liability.

Seven Statutory Duties

Codified under the Companies Act 2006 – fiduciary in nature, breach carries personal liability.

Secretary = Governance Backbone

Mandatory for public companies; ensures statutory compliance, maintains records, and supports the board.

Governance Is Structural


Accountability, transparency, independence, and integrity are not aspirational – they are legal obligations.

Take-Home Assignment

Select a publicly listed company. Review its most recent Annual Report and identify: (1) the composition and types of directors on the board, (2) evidence of how the Company Secretary's role is discharged, and (3) one potential governance concern and your recommended remedy. Submit a 500-word memo in legal advisory format.

? Final Q&A

Open floor for questions on any topic covered today. Instructor will also pose one final challenge question:

 **"If a director genuinely believed their decision was in the company's best interest but it resulted in significant loss – have they breached their duties?"** Discuss with reference to today's learning.