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CORPORATE GOVERNANCE
THE ROLE OF DIRECTORS
PART 1

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The board of directors has a fiduciary duty towards the company. You may have heard this numerous times. What is a fiduciary duty?

To understand this, one must appreciate what a fiduciary relationship is – this is a relationship of confidence. The duty in that relationship is that one must entirely act in the interest of another, and give their undivided loyalty to them. Two golden threads that make up fiduciary duties are accountability and confidentiality.

The fiduciary duties of the board of directors are crystalized in section 130 of the Companies Act, and they include:

- exercising powers honestly and in good faith
- exercising a degree of care and diligence
- Accounting to the company for monetary gain in connection with the exercise of their powers
- Not competing with the company
- Not disclosing confidential information
- Attending board meetings
- Keeping proper accounting of records

Key to corporate governance principles are these fiduciary duties. A failure to discharge fiduciary duties is more often than not, the collapse of the very fibre of corporate governance. With honesty, diligence, accountability and the correct skillset of the board of directors, an organization is more likely to uphold corporate governance principles and thrive.

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