Heathfield Residents Association
Information Leaflet

Directors' Responsibilities

Purpose

HRA is a limited company and the directors appointed to manage it have various legal responsibilities that they must carry out. This leaflet outlines the responsibilities (duties) of HRA directors.

Legal responsibilities

There are seven legal duties of a company director as set out in the Companies Act 2006. HRA directors must only act within the powers set out for them in the company's constitution and articles of association.

1. <u>Constitution</u>

A key aspect of the company's constitution is the articles of association. By acting under the company's constitution, HRA directors must understand and exercise their powers for the purposes they are granted for.

2. <u>Duty to promote the success of the company</u>

Directors must promote the success of the Association including the likely consequences of any long-term decisions and the impact HRA's activities have on the shareholders and environment. Decisions made by the board are only justifiable in the context of the best interests of the company.

3. <u>Duty to exercise independent judgement</u>

Directors can seek and accept the advice of others, but they must use their own independent judgement and consider the interests of the company when making decisions. They will be expected to develop an informed view of the company's activities. For example, it is not acceptable to simply implement the commands or wishes of other parties and shareholders.

4. <u>Duty to exercise reasonable care, skill and diligence</u>

Directors need to exercise reasonable skill, care, and diligence when carrying out their duties and are expected to perform their role to the best of their ability and use their knowledge, skills, experience and qualifications to help them carry out their duties.

5. Duty to avoid conflicts of interest

Under this duty, directors have a statutory obligation to avoid any situation in which they could have a direct or indirect conflict of interest where their loyalties might be divided.

6. Duty not to accept benefits from third parties

Directors must not accept benefits given to them by third parties because they are a director. This is to avoid conflicts of interest.

7. Duty to declare interest in proposed transaction or arrangement

Directors must disclose any direct or indirect interests they have in a proposed transaction or arrangement with the company.