

Roles and Responsibilities of Directors under Companies Act 2013

Board of Directors :

- The definition of Board of Directors is given in Section 2(10) of Companies Act, 2013 corresponding to Section 2(6) of Companies Act, 1956.
- As per the new definition it refers to “ *a collective body of the Board*”

Director [Section 2(34)]

- The definition of Director as given in Section 2(34) of Companies Act, 2013 corresponding to section 2(13) of Companies Act, 1956
- *“Director refers to one who has been appointed as such by the Board”*
- This definition is restrictive .
- The definition in Companies Act, 1956 was inclusive and could refer to anyone occupying the position of director by whatever name called.

Managing Director [Section 2(54)]

- The definition of Managing Director as given in Section 2(54) of Indian Companies Act 2013 corresponds to Section 2(26) of Indian Companies Act, 1956.
- Major change-M.D. does not have to function under supervision, control and direction of Board

Independent Director [section 149(6)]

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director as specified under provisions of section 149 of Companies Act, 2013.

Role of Director in a Company

- A. Director is a part of collective body of Directors called the Board of Directors. Responsible for the superintendance, control and direction of the affairs of the Company.
- (a) Director as agent :- A Company as an artificial person, acts as through directors who are elected representatives of the shareholders and execute decision making for the benefit of shareholders.
- (b) Director as employee :- Directors are liable as employee under provisions of Companies Act.

Role of Director in a Company

- When the director is appointed as whole time director of the Company then that particular director shall be considered as employee director or whole time director of the Company.
- (c) Director as officers :- Director treated as officer of an Company. They are liable to certain penalties if the provision of the Companies act are not strictly complied with or in case of violations.

Role of Director in a Company

- Director as Trustee :-
- Director is treated as trustees of the Company's money and property and of the powers entrusted to and vested in them only as trustee.

Duties of Directors

- Director to act in accordance with Articles of Association of the Company as well as in accordance with the provisions of Companies Act and Listing Agreement.
- A Director of Company shall act in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the community and for the protection of environment.
- A Director of Company shall exercise his duties with due and responsible care, skill and diligence and shall exercise independent judgement.

Duties of Directors

- A Director of Company shall not involve in a situation in which he may have a direct or indirect interest that conflict, or possible may conflict, with the interest of the Company.
- A director of the Company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners or associates.
- A director of a company shall not assign his office and any assignment so made shall be void.

Duties of Directors

- He should furnish necessary informations/details in the prescribed forms to the company about certain disclosures as required under Companies Act & under Listing Agreement.
- Directors should observe the Code of Conduct of the Company.
- It is the duty of the Independent Directors to acquire proper understanding of the business of the Company, its nature and activities.
- Punishment for contravention of above is as per Companies Act 2013 & Listing Agreement.

Liabilities of Directors

- Liability of non executive/ Independent Director :-
An Independent director and non executive director not being promoter or key managerial personnel, shall be held liable, only in respect of such acts of omission or commission by a Company which had occurred with his knowledge, attributable through Board processes, and with his consent or Connivance or where he had not acted diligently.

Liabilities of Directors

- Liability as 'Officer :- as specified under the provisions of Companies Act, 2013 and rules made thereunder.

Liability as 'officer in default :-

- Directors are liable as officers in default under all sections which specific penalty is provided for each officer in default.
- Where no specific penalty under the Act, they are liable under Section 450.

Liabilities of Directors

Liability for 'Fraud'

“Fraud” in relation to affairs of a company or any body corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss;

Liabilities of Directors

- Any person who is found to be guilty of fraud, shall be punishable with imprisonment for a term which shall not be less than six months but which may extend to ten years and shall also be liable to fine which shall not be less than the amount involved in the fraud, but which may extend to three times the amount involved in the fraud.

Liabilities of Directors

Personal Liability

Directors can be made personally liable under the provisions of Companies Act and under Listing Agreement. Some of them are:-

- When the directors enter into contract in their own name. When they enter into contracts on behalf of company but fails to use “LTD. Or PVT LTD.”
- When directors exceeds their powers otherwise expressly provided to them by Act
- The BOD should act an agent of company, not of a single director. Therefore a single director cannot enter into a contract on behalf of company unless the BOD authorises.

THANK YOU