

Directors Duties & Good Governance.

What every SME needs to know
(& do!)

This webinar:

- What does Governance actually mean?
- Getting 'Governance FIT'
- Directors Duties – Companies Act
- Good Governance in practice
- Managing Personal Liability
- Companies House reforms

The next 30 minutes.....

How do you feel when someone mentions governance?



What does ‘Governance’ actually mean?

“The responsibilities of governance include determining the company’s purpose and the strategy for achieving that purpose, setting the tone of the enterprise and planning succession.

It is for management to turn purpose into action.

The strict sense of accountability of boards for their stewardship is diminished, if the line between governance and management is blurred. There is a temptation for boards to meddle in management, because managing is more engaging, in both senses of the word, than governing.”

Sir Adrian Cadbury

Director Duties – Companies Act 2006

1. S171 Act within powers

- Follow Company's constitution
- Use powers only for their proper purpose

2. S172 Promote the Success of the Company

- Act in good faith to benefit shareholders
- Consider long-term consequences, employee interests, supplier/customer relationships, community/environmental impact, reputation

3. S173 Exercise independent judgement

- Act independently, do not blindly follow advice of others
- Challenge assumptions, ask critical questions

4. S174 Exercise reasonable care, skill & diligence

- S175 Avoid conflicts of interest - Avoid situations where personal interests conflict with company interests

6. S176 Not accept benefits from third parties

7. S177 Declare interest in proposed transactions

Getting Governance ‘FIT’.

Do it right for the business that you’re in!

F - FAIRNESS

- Ensure decisions are made with integrity and impartiality.
- Treat stakeholders equitably, considering their interests in line with Section 172 Companies Act.
- Promote transparency in board processes and outcomes.

I - INTEGRITY

- Uphold ethical standards in leadership and operations.
- Avoid conflicts of interest and act in good faith.
- Ensure directors exercise independent judgment and diligence.

T - TRANSPARENCY

- Maintain clear, honest communication with shareholders and stakeholders.
- Document decision-making processes and rationale.
- Report on governance practices and stakeholder engagement openly.



“If you haven’t exercised in a while, you may need to stretch and warm up before you stretch and warm up.”

What does Good Governance look like in practice?

YOUR GOVERNANCE TOOLBOX



- **Have a board** – even if it is informal with a good spread of experience.
- **Document board meetings** – particularly key decisions & rationale.
- **Set up committees for oversight of key areas** – remuneration, audit, risk.
- **Have a risk management framework** and a risk register & review regularly.
- **Ensure accurate and timely reporting to shareholders.**
- **Treat your suppliers fairly** – pay them on time. Consider a code of conduct.
- **Treat your customers fairly** – have clear T's & C's and a transparent complaints process. Comply with Data Protection laws.
- **Understand and comply with regulatory requirements.**
- **Implement ongoing training** for directors on governance & legal and regulatory duties.
- **Monitor organisational culture** – employee surveys.
- **Have a conflicts of interest policy**, board meeting interests declaration, annual director declarations & a whistleblowing policy.
- **Have a gifts and hospitality policy**, anti bribery policy and a gifts register.

Managing Personal Liability

Personal liability may arise in the following scenarios:

- You breach your statutory duties under Companies Act
- You engage in wrongful or fraudulent trading
- You fail to meet regulatory or tax obligations
- You sign contracts personally instead of on behalf of the company
- There are health, safety & environmental breaches

Mitigate the risks by doing the following:

- Know your legal & regulatory duties
- Avoid giving personal guarantees
- Sign contracts on behalf of company
- Watch for signs of insolvency – don't continue trading if insolvency is unavoidable
- Keep accurate records documenting board decisions
- Maintain companies house filings
- Get Directors & Officers insurance cover

Companies House Reforms

1. Mandatory Identity Verification

- **Who?** All directors, Persons with Significant Control (PSCs), and anyone filing on behalf of a company.
- **When?** Mandatory from 18 November 2025; up to 12 month transition for existing directors – latest to do by date of next confirmation statement due after 18th November.
- **How?** Via GOV.UK One Login or an Authorised Corporate Service Provider (ACSP).
- **Why?** To prevent fraud and improve transparency.

2. On filing your next confirmation statement:

- a registered email address will need to be provided;
- Statement of lawful purpose will require to be filed.

3. The Central Register is being abolished. If you use this facility, you will need to create a register of members to hold in-house and file a one-off full list of shareholders with your next confirmation statement.

Changes that have already happened:

- Registered Address: PO Boxes no longer acceptable
- Increased fees for various filing activities
- Companies House can query, reject or remove filings
- New corporate offence for large organisations – ‘failure to prevent fraud’
- ‘Large’ means meeting two or three out of the following criteria:
 - more than 250 employees
 - more than £36 million turnover
 - more than £18 million in total assets

Thank you



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