Duty of Trust

**Duty of Trust** → requires directors to act with integrity behaving honestly and fairly for the benefit of the shareholders, recognizing the interests of any minority shareholders. They also should promote the aim of the company, ensure its success act solely within the powers delegated from their company’s constitution.

Requires the directors to exercise independent judgement of care, skill and diligence. comprises also knowledge, skill, and experience that the director should have.

<table>
<thead>
<tr>
<th>Duty of Trust</th>
<th>Duty of Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>fiduciary duty → requires directors to act with integrity behaving honestly</td>
<td>Requires the directors to exercise independent judgement of care, skill and</td>
</tr>
<tr>
<td>and fairly for the benefit of the shareholders, recognizing the interests</td>
<td>diligence. comprises also knowledge, skill, and experience that the director</td>
</tr>
<tr>
<td>of any minority shareholders. They also should promote the aim of the</td>
<td>should have.</td>
</tr>
<tr>
<td>company, ensure its success act solely within the powers delegated from</td>
<td></td>
</tr>
<tr>
<td>their company’s constitution.</td>
<td></td>
</tr>
</tbody>
</table>

6. **The board leadership role of the chairman**

The chairman is not of the company but of the board.
- Plan and runs shareholders meetings.
- Ensure the introduction of new directors, the training and development of existing ones.
- The performance evaluation of the board and committees.
- Structure and membership of the board is appropriate.
- Strategic direction of the company is viable.

➔ **UK Combined Code on Corporate Governance**: “The roles of the chairman and the chief executive should not be exercised by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board.”

7. **The corporate officers**

➔ The officers of a company are defined by the company laws of each jurisdiction.
➔ Typically they include all the directors and the company secretary, who might also be a director.

➔ **UK: Companies Act (2006)** → duties of the company officers.
- Directors have responsibility to the company employees, trading partners, and the state.
- **Company secretary** → formal role in CG. In the **Cadbury Report (1992)**: “The Company Secretary has key role to play in ensuring that board procedures are both followed and regularly reviewed. The chairman of the board will look to the company secretary for guidance on what their responsibilities are under the rules and regulations to which they are subject and on how those responsibilities should be discharged. All directors should have access to their advice and services of the company secretary and should recognize that their chairman is entitled to strong support of the company secretary in ensuring the effective functioning of the board.”

**CASE STUDIES**

1. Foreign and Colonial Asset management plc
2. Enron