



Corporate Governance Essentials for Directors

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Legislation

- Directors should be familiar with the legislation that governs their corporation and the requirements to comply. Major changes are facing not-for-profit corporations, growing the need for directors to understand their legal obligations.

Directors Duties

1. Duty to Act Honestly and Fairly

- Duty to behave honestly and fairly by sharing important information and preventing harm to the corporation.

2. Duty of Loyalty

- Directors' fiduciary obligations lay first and foremost to their organizations.

3. Duty to Attend Meetings

- Potential to face liability if directors do not attend meetings.

4. Duty to Prepare for Meetings

- Duty to be prepared for board meetings and informed of material information to make informed decisions. There is a need to satisfy the Business Judgment Rule.

5. Access to Information

- Insist on access to all relevant information to be considered by the board.

6. Inspection of Corporation Records

- Right to inspect corporate records and other documents related to the corporation.

7. Integrity

- If there is any doubt regarding a proposed course of action, it should not be supported. Seek independent advice as soon as possible to clarify the issue.

8. Relying on Co-directors

- Do not shirk responsibilities by leaving all tasks to others. Reliance on co-directors and officers should not be unquestioning.

9. Reliance on Management

- Do not rely blindly on management as liability occurs where they knew or they ought to have known that something was not right.

10. Reliance on Legal Advice

- If uncertain about the exercise of duties, consult with a lawyer.

Contentious Issues

1. Right to Attend Board Meetings

- Directors have a right to attend and participate at all director's meetings. Other persons may only be admitted with the consent of those present at the meeting.

2. No Attendance by Proxy

- A director cannot attend a board meeting by proxy.

3. Who can Chair the Meeting

- Someone must chair the meeting. If by-laws or articles do not provide for who is to chair, then the quorum of the board may elect a chair from the directors.

4. Conflict of Interest

- If in a conflict situation, the director must disclose the conflict at the meeting and refrain from voting on any contract or proposed contract.

5. Dissent Votes

- If a director disagrees with a decision of the board, the director should dissent and ensure that the dissent is recorded in the minutes.

6. Quorum Issues

- Quorum must be kept throughout a meeting or the business conducted will not be lawful.

7. Minutes of Meetings

- Before approval, minutes should be carefully reviewed for accuracy by the directors as they are admissible in court.

8. Election of Directors and Appointment of Officers

- Directors are elected by the shareholders/members and, in most cases, officers are appointed by the directors.

9. Removal of Directors

- Directors may only be removed by the shareholders/members, not by directors.

10. Removal of Officers

- Officers, if appointed by the directors, may be removed by the directors at any time or if appointed by the members, may be removed by the members.

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