

Guidance on Directors' Duties. Section 172 and stakeholder considerations

The GC100, a group made up of the general counsels and secretaries to the board of FTSE 100* companies, has published guidance on the obligations in section 172 of the United Kingdom's 2006 Companies Act. This provision contains the obligations incumbent on members of Boards of Directors, who must act in good faith to work toward the institution's success for the benefit of shareholders. The latest revision of the United Kingdom's Code of Corporate Governance has extended this duty, urging board directors to take all stakeholders and the context in which the institution is operating into consideration.

The document presents some practical action that board members can consider taking to comply with their obligation under section 172. The issues around which such action revolves are:

- Strategy, aligning the decisions adopted with the vision and goals set by the company and whether it contributes to the success of the company's social interests and those of stakeholders
- Training of directors, both in terms of their obligations and rights, and their skills and abilities
- Information received by board members, which must be appropriate, timely and proportionate in order to adopt the right decisions
- Existence of policies and procedures, both for the Board and for senior management, that support the company's operations and goals
- Company's engagement with stakeholders

The guidance also highlights the importance of fostering a corporate culture that is aligned with the interests of all the institution's stakeholders, such as employees, customers, suppliers, local communities, the environment and other groups that are affected by its activities.

* Stock exchange index of the 100 most important securities on the London Stock Exchange