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**Company Policy 1.0**  
Legal Duties of Directors and Officers

### 1. PURPOSE

The purpose of this policy document is to provide an in-depth explanation of the legal duties of directors and officer to Fitzgerald Foods with the aim of creating awareness and understanding of the matter to existing and future directors of the company.

### 2. SCOPE

This policy applies to the directors and officers of Fitzgerald Foods Company.



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### 3. LEGAL DUTIES OF DIRECTORS AND OFFICERS

By definition, the legal duties of directors and officers refer to the common duties that the board of directors needs to attend to in Fitzgerald Company. These typical duties encompass governing Fitzgerald Foods Company by developing relevant mission, vision, and goals; conduction performance review of officers as well as supporting them; approval of company's budget; taking shareholders views into consideration; being accountable and presenting company's performance to shareholders. Apart from this, the company's officers are responsible for the

management of the daily operation of the company. As it is evident from the aforementioned duties, directors and officers are legally responsible for making decisions that may negatively or positively affect the company. The board of directors in its capacity has the power to contract in the company's behalf. However, individual directors have no such authority, unless the authority to engage in such actions is expressly delegated to the individual by the board of directors. In this regards, it is also important to note that the "business judgment rule" applies to these stakeholders. Accordingly, directors and officers are actions are informed and made honestly and in good faith with the aim of benefiting the company. For this reason, the directors and the officers have immunity from lawsuits associated with corporate transactions if they did so in good faith (Salleh & Othman, 2016).

#### **4. BENEFITS OF COMPLIANCE**

By complying with the aforementioned legal duties the directors and officers will ensure that Fitzgerald Foods has a daily operational plan, brand loyalty, and trust, transparent and appropriate risk management. With this provisions, the decisions made in the organization are based on accurate information and can be used to effectively allocate resource for major functions of the business. Additionally, having a clear knowledge of the company's vision and mission, compliance will ensure that the company puts in place appropriate resources in order to achieve the vision, mission, and goal of the organization. This may include how to ensure that customer get quality products and the company realizes its dream of going green. Another benefit of compliance is that the directors will strive to make all decisions in good-will to the advantage of the organization. As such, instances of making decisions for individual gain will be eliminated. Additionally, as far as shareholders are concerned, the directors' compliance will ensure that the shareholders are communicated to effectively and their interest was taken into

consideration. Lastly, the board of director will also ensure that the company's performance is at a high by conducting employees review and ensuring that they are provided with the best working conditions.

## **5. CONSEQUENCES OF NON-COMPLIANCE**

Non-compliance refers to the failure to act in line with the provisions of the policy, i.e., the legal duties of directors. Despite the fact that the duties of directors and officers are comprehensively provided, there are instances when the directors will face to carry out their respective duties. This is tragic at a personal and organizational level as these will have a ripple effect on the directors and Fitzgerald Foods Company. One of the notable consequences of failing to comply is lawsuits against the directors and officers for statute violation. For instance, decisions that make employees work for more hours with little or no compensation may be filled as a labor law violation in a court of law.

Directors' and officers' unethical actions can also lead to a violation of their legal duty. Some of the cases of unethical actions that may be conducted by these stakeholders include discrimination of employees on the basis of race, gender, sexuality, or disability, misrepresentation of company's income, and sexual harassment. These unethical practices are non-compliant and attract heavy penalties and risk destroying company's reputation. For example, in Harvey Weinstein case of sexual harassment, the Weinstein Company board of directors and management were sued for guaranteeing the silence of employees, intern, and other victims through nondisclosure agreement. Particularly, it is stated that the directors and officers ensured that they enabled the "unlawful conduct to continue far beyond the date when, through reasonable diligence, it should have been stopped" (Barnes & Neuman, 2018).

**Recommendation to the Chairman:** In order to avoid the violation of legal duties by the company's directors and officers, there are several business risk management procedures that Fitzgerald Foods can take up in future. Some of the recommended procedures include developing and complying with a code of ethics, build shareholder relationship through accountability and transparency, and maintaining regulatory compliance. This will ensure that the company enjoys the benefit of compliance and eliminate the risk of dealing with the ripple effect of non-compliance.

## Reference

Barnes, B., & Neuman, W. (2018). Weinstein Company Sale Delayed by N.Y. Attorney General

Lawsuit. Nytimes.com. Retrieved 1 July 2018, from

<https://www.nytimes.com/2018/02/11/business/media/harvey-weinstein-company-sale.html>

Salleh, S. M., & Othman, R. (2016). Board of director's attributes as deterrence to corporate fraud. *Procedia Economics and Finance*, 35, 82-91.