UNIT – 3

Management and Control of Companies

Board of Directors • Appointment • Powers • Meetings • Oppression • CSR

Company Law – Course I

SYNOPSIS

Unit Overview

This unit deals with the management and control of companies – composition and powers of the Board of Directors, appointment, qualification, duties and removal of directors, distribution of powers between Board and general meeting, company meetings and resolutions, prevention of oppression and mismanagement, and Corporate Social Responsibility.

LEARNING OBJECTIVES

What You Will Learn

01 Board

Explain powers and functions of the Board of Directors

02 Directors

State rules of appointment, qualification, duties and removal

03 Meetings

Describe kinds of meetings and procedure

04 Resolutions

Distinguish ordinary, special and board resolutions

05 Oppression

Understand prevention of oppression and mismanagement

06 CSR

Explain Corporate Social Responsibility provisions

BOARD

Board of Directors – Powers and Functions

Collective Body	Board is the collective decision-making body of the company
Powers	General powers of management subject to the Act, MOA, AOA and resolutions of members
Distribution	Certain powers are reserved for shareholders in general meeting
Fiduciary	Directors must act in good faith for the benefit of the company

Appointment of Directors

First Directors	Named in AOA or appointed by subscribers
Subsequent	Elected by shareholders in general meeting
Additional / Alternate / Nominee	Appointed as per provisions of the Act and AOA
Independent Directors	Required for listed and certain public companies
Women Director	Mandatory for prescribed class of companies

QUALIFICATION

Qualification, Position and Types of Directors

Qualification	No share qualification required under the Act unless AOA provides
DIN	Director Identification Number is mandatory
Types	Executive, Non-executive, Independent, Nominee, Additional, Alternate, Women Director
Position	Directors are officers of the company; stand in fiduciary relationship

Powers, Duties and Remuneration of Directors

Duties	Act in good faith, exercise due care and skill, avoid conflict of interest, not to make secret profits
Statutory Duties	Under Sections 166 and other provisions of the Act
Remuneration	Governed by Section 197 and Schedule V; subject to limits and approval
Disclosure	Interest in contracts must be disclosed

REMOVAL

Removal of Directors

By Shareholders	Ordinary resolution after special notice (Section 169)
By Tribunal	In case of oppression or mismanagement
Disqualification	Automatic vacation on certain grounds (Section 167)
Resignation	Director may resign by giving notice

MEETINGS 1

Meetings of Board and Committees

Board Meetings	Minimum number prescribed; notice, quorum, minutes mandatory
Committee Meetings	Audit Committee, Nomination & Remuneration Committee, Stakeholders Relationship Committee, etc.
Resolution by Circulation	Permitted for certain matters

MEETINGS 2

General Meetings – Kinds and Procedure

AGM	Annual General Meeting – mandatory for every company (except OPC)
EGM	Extraordinary General Meeting – for urgent business
Class Meetings	Meetings of a particular class of shareholders
Procedure	Notice, quorum, chairman, proxy, voting, minutes

Resolutions

Ordinary Resolution	Simple majority of members present and voting
Special Resolution	At least 75% majority; required for important matters
Board Resolution	Passed at Board meeting or by circulation
Resolution Requiring Special Notice	Certain matters require special notice

OPPRESSION

Prevention of Oppression and Mismanagement

Section 241	Application to Tribunal for relief in cases of oppression or mismanagement
Oppression	Conduct that is burdensome, harsh and wrongful to minority
Mismanagement	Conduct prejudicial to the interest of the company or public interest
Reliefs	Wide powers to Tribunal including regulation of conduct, purchase of shares, etc.

Corporate Social Responsibility (CSR)

Applicability	Companies meeting net worth / turnover / profit thresholds
Obligation	Spend at least 2% of average net profits of last three years on CSR activities
Activities	Listed in Schedule VII – education, health, environment, etc.
Committee	CSR Committee to formulate and monitor policy
Disclosure	Mandatory reporting in Board’s report

SUMMARY POINTS

Must-Remember Points

- Board of Directors is the central management body; directors owe fiduciary duties.
- Appointment, qualification, remuneration and removal are governed by detailed statutory provisions.
- Company meetings (Board, AGM, EGM) and resolutions are the instruments of decision-making.
- Sections 241–242 provide relief against oppression and mismanagement.
- CSR is a mandatory obligation for prescribed companies under the 2013 Act.