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Directors and Managers in UAE Companies: Duties, Conflicts and Control Evidence

Authority should be matched by evidence of care: clear delegations, disclosed conflicts, reliable minutes and decisions supported by information available at the time.

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EDITORIAL GUIDE

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Authority should be matched by evidence of care: clear delegations, disclosed conflicts, reliable minutes and decisions supported by information available at the time.

> A director or manager's authority is not only a power to sign. It carries responsibility for how the power is exercised. Clear delegations, disclosed conflicts, reliable records and informed decisions help protect the company and make management conduct easier to defend.

Federal Decree-Law No. 32 of 2021 on Commercial Companies contains rules for managers of limited liability companies and directors of joint stock companies. The precise provisions differ by legal form, constitutional documents and regulator, but the operating lesson is consistent: leaders should understand the boundary of their authority and preserve evidence of proper decision-making.

Governance points to know

LLC AUTHORITY	An LLC manager generally has full management powers unless restricted by the appointment contract or constitutional documents, with actions binding the company when the capacity is stated.
MANAGER LIABILITY	Article 84 addresses liability for fraud, improper exercise of powers, violation of law or governing documents, and gross error.
CONFLICTS	A director with an interest in a transaction submitted to the board must disclose it, have the declaration recorded and not vote on the resolution.
RECORDS	Minutes and supporting papers should show what was decided, by whom, under which authority and on what information.

Begin with the company's actual authority map

The trade licence, memorandum or articles, shareholder resolutions, board resolutions, powers of attorney, bank mandates and employment contracts can each allocate authority. If these documents conflict or are outdated, the business may not know who can borrow, guarantee, acquire assets, appoint advisers, sign contracts or settle disputes.

Create a reserved-matters and delegation schedule. It should distinguish decisions requiring shareholder approval, board approval, manager approval and delegated operational approval. Set financial thresholds, dual-signature requirements, emergency procedures and limits on sub-delegation. Reconcile the schedule with bank portals and digital approval systems.

Review it after changes in ownership, management, constitutional documents, financing or business model. A departed manager who remains an authorised bank user is a control failure even if the internal organisation chart has been updated.

Understand LLC manager exposure

Article 84 provides that an LLC manager may be liable to the company, partners and third parties for fraudulent acts. It also addresses losses or expenses resulting from improper exercise of powers, violation of law, the memorandum or appointment contract, or gross error. A provision attempting to contradict that responsibility is void.

This does not mean every unsuccessful commercial decision creates liability. Business involves judgment and uncertainty. The control objective is to show that the decision was within authority, based on adequate information, considered material risks and conflicts, and was made for the company’s purpose rather than an undisclosed personal benefit.

Managers should know the restricted acts applicable to their legal form. For example, the Commercial Companies Law identifies acts for a general-partnership manager that require appropriate consent or explicit authority, including certain disposals, mortgages and third-party guarantees. The company must apply the provisions relevant to its own form and documents.

Disclose conflicts before the decision

Article 150 requires a director who has a common or conflicting interest in a transaction submitted to the board to notify the board. The declaration is recorded in the minutes and the director does not vote on that transaction. Failure can allow the company or shareholders to seek invalidation or repayment of profit or benefit.

A useful conflict register goes beyond a yearly declaration. Directors and managers should disclose new interests when they arise, and every meeting agenda should prompt transaction-specific disclosure. The secretary or governance owner should confirm quorum and voting treatment after recusals.

Related-party transactions require careful handling. The rules for public joint stock companies include specific approvals, valuation and disclosure requirements, while private companies should follow their governing documents and applicable law. In all cases, record the relationship, commercial rationale, alternatives, pricing support, approvers and abstentions.

> *"A conflict disclosed after the contract is signed is a historical fact, not a preventive control."*

Use board papers to improve the decision

Good governance is not measured by the thickness of a board pack. A decision paper should state the proposal, authority, commercial objective, financial effect, key risks, alternatives, conflicts, implementation owner and approvals requested. Material assumptions should be visible rather than hidden in an attachment.

Provide papers early enough for review. Record questions, challenge and management responses. If information is incomplete, the board can defer, condition approval or require a follow-up. Unanimous approval without evidence of analysis may be less persuasive than a clear record of informed debate.

Use specialists where necessary, but do not outsource the decision. Legal, tax, valuation, technical and risk advice should be summarised in terms the decision-makers understand. Record the scope and limitations of the advice and any material departure from it.

Make minutes accurate and useful

Minutes should identify attendees, quorum, declarations, papers considered, material discussion, resolutions, abstentions, conditions and actions. They are not a transcript, but they should allow a later reader to understand the process and outcome.

Number resolutions, assign owners and due dates, and track completion. Correct draft minutes promptly and approve them under the company's procedure. Store signed minutes and papers securely with version control. Informal decisions made in messaging apps should be regularised through the authorised process where required.

Do not rewrite history after a dispute. A contemporaneous record, even if concise, is more credible than a document created months later. Where advice is legally privileged, manage circulation and storage with counsel.

Connect governance to internal control

Delegations work only when systems enforce them. Procurement, banking, payroll, treasury, contracting and journal entries should use approval limits that match the authority schedule. System administrators should not be able to change limits without independent approval and an audit trail.

Segregate initiation, approval, custody and recording where proportionate. Small businesses may not have enough staff for perfect separation, so use compensating controls such as owner review, bank alerts, independent reconciliations and periodic external checks.

Management information must be reliable. A board cannot oversee cash, tax, compliance, customer concentration or legal claims if reporting is late or inconsistent. Define key indicators, data owners and escalation thresholds. Ask internal or external assurance providers to test the controls that matter most.

Prepare for change and distress

Rapid growth, funding, acquisition or financial pressure increases governance risk. Decisions may be made faster, authority may be unclear and conflicts may emerge. Before a transaction or turnaround, refresh the authority map, interests register, solvency information, insurance and reporting cadence.

Directors and managers should obtain timely legal advice when the company cannot meet obligations, faces a serious regulatory issue or considers a transaction benefiting connected parties. Delay can reduce available options. The governance record should show when the issue was identified and what steps were considered.

01	**Authority:** Reconcile constitutional documents, delegations, powers of attorney and bank mandates.
02	**Conflicts:** Maintain annual and event-driven declarations with meeting-level recusals.

03	**Papers:** Present purpose, risk, alternatives, financial effect and requested approvals.
04	**Minutes:** Record quorum, challenge, declarations, decisions, abstentions and actions.
05	**Systems:** Align workflow limits and access rights with formal authority.
06	**Assurance:** Test high-risk controls and close gaps with documented evidence.

The practical value of governance appears when a difficult decision is questioned. A company with clear authority, complete papers, disclosed interests and reliable minutes can explain not only what it decided, but why the process was reasonable on the information available at the time.

Official sources

1. **Federal Decree-Law No. 32 of 2021 on Commercial Companies**
2. **Related implementing legislation and administrative penalties**

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