We as ARGUDEN GOVERNANCE ACADEMY prepared this view just to support philosophical background of OECD principles. These views have been shared with ARGE Consulting who also shared these views in their comments.

"Revision of the OECD Corporate Governance Principles should incorporate the following concepts to reflect the emerging understanding and practices around the corporate world, particularly with respect to the responsibilities of the corporation and its board on the impact of the corporations' actions on the society and all the stakeholders:

- The main aim of the Principles is not only to protect the public shareholders and creditors, but all the stakeholders for the sake of long term sustainability and success of the corporation.
    - The essence of good corporate governance is ensuring trustworthy relations between the corporation and its stakeholders.
    - The key to good corporate governance is ensuring that the principles of Consistency, Responsibility, Accountability, Fairness, Transparency, and Effectiveness are Deployed (CRAFTED) throughout the organization. Applying CRAFTED principles is a sine qua non of sustainable success.
    - Earning the trust of the stakeholders is the key to mobilize their resources towards a common vision. The communication and behavior of each institution influences not only how its own resources are utilized, but also those of its stakeholders. Therefore, **consistency** of the policies of a corporation is key to ensure that right expectations are formed throughout the value chain, thereby making the whole value chain stronger. Value creation requires measured risk taking. Risk is the kind of profit. Therefore, taking initiative and **responsibility** which naturally involves risk taking is a key element of value creation. Being **accountable** and **fair** to all the stakeholders whose resources are entrusted to the corporation is the key to sustainability of access to those resources. **Transparency** in relationships is the key to earning that trust. Success requires **effective** utilization of resources entrusted to a corporation. Sustainability of success requires continuous improvement and innovation. This in turn requires learning and the participation and involvement of all in the organization. Hence, creation of a climate which emphasize good governance principles and **deployment** of a good corporate governance culture throughout the organization is the key for sustainability.

- As the stewards of public trust, the board members must always act for the good of the organization and need to exercise reasonable care in all decision making, without placing the organization under unnecessary risk. Furthermore, as key decision makers responsible for the success of the corporation, they need to ensure that the corporation gains and retains the trust of present and future stakeholders. Both this risk management role and value creation responsibility call for fair treatment of the stakeholders.
    - Corporate board members have a fiduciary responsibility to act in good faith and with a reasonable degree of care, and they must not put themselves any conflicts of

interest. The fiduciary responsibilities of board members fall into three categories: duty of loyalty, duty of care, and duty of full and fair disclosure.

- The **duty of loyalty** imposes on the board an affirmative duty to protect the interests of the corporation, and also an obligation to refrain from conduct which would injure the corporation and its shareholders. Directors must avoid any conflict between duty and self-interest. Undivided allegiance to the corporation's best interest is required.
- The **duty of care** requires directors to make a business decision based on all available and material information and to act in a deliberate and informed manner. First, the board members must act in good faith for the company's best interest. Second, they must believe that their decisions promote the best interest of the corporation in both the short and the long term based on a reasonable investigation of the available options.
- The **duty of full disclosure** is to provide reasonably complete disclosure especially when shareholders are asked to vote and when the company completes a conflict of interest transaction. However, extending the duty of full and fair disclosure further to include environmental, societal, and governance matters is critical for gaining and retaining the trust of present and future stakeholders and license to operate.

- The role of the Principles should not be to replace the business judgment of the boards or regulate the decision making processes of the boards, but rather to ensure that there is sufficient disclosure about the approach and performance of the boards. Such disclosure should enable the stakeholders to make proper judgments, particularly with respect to how the board members fulfill their duty of loyalty and duty of care in providing guidance and oversight to the management. The duty of care should include not only the financial performance of the corporation, but also all the impact of the corporations' own operations on the society including the indirect impacts **throughout its value chain** and **throughout the life cycle of its full product portfolio."**

ARGÜDEN GOVERNANCE ACADEMY

Good Governance for Quality of Life