The Boundaries of Directors' Duty of Diligence: Responsibility Determination from the Perspective of Corporate Decision-Making Mechanism

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Abstract. Although China's Company Law has established a basic framework for the duty of care of directors, there is still a lack of clear and specific standards for the boundaries and responsibility determination of the duty of care under the decision-making mechanism in the specific implementation process. This involves disputes over the allocation of corporate decision-making power and the choice of judgment criteria. The choice should be made based on the company's objective reality. Examining the composition of the elements of responsibility, subjectively it should be gross negligence and non-bona fide, and objectively, when evaluating whether the director has been diligent, one should not simply judge from the outcome, but should delve into the considerations and efforts in the decision-making process to fairly evaluate whether the director has fulfilled their duty of care. The business judgment rule essentially reduces the requirements of the duty of care for directors and serves to block liability. Therefore, the determination of responsibility should be lenient rather than strict. By constructing a scientific, reasonable, and flexible determination mechanism, the optimization and upgrading of corporate governance are promoted.

Keywords: Director, Duty of Diligence, Liability Determination, Business Decision-Making.

1. Introduction

The duty of diligence of directors is a core element in the corporate governance structure. The current Company Law in China has established a basic framework for the duty of diligence of directors, clearly stating that directors need to have a reasonable duty of care for the best interests of the company when performing their duties. This is not only a moral constraint on company managers, requiring directors to handle company affairs with good faith and caution, but also a value benchmark for evaluating whether their performance is qualified. It can be seen that the duty of diligence encompasses both high moral standards and strict requirements for professional competence. In terms of business decision-making, the revision of the Company Law innovatively introduces key judgment elements such as "the best interests of the company" and "the reasonable duty of care that managers should have". However, the problem is that firstly, the composition of the company's board of directors is complex and diverse, with different responsibilities. Different types of directors play different roles within the company, undertake different responsibilities, and have different levels of exposure to business information. Therefore, the standards of "the company's best interests" and "the manager's usual reasonable duty of care" that they should follow should be different. It is worth mentioning that as the decision maker of the company's daily operations, the executive director has the power to make business decisions within the framework stipulated by law or the company's articles of association. The determination of the diligence obligation of the executive director should fully consider the authority and scope of their business decisions, and cannot simply confuse the standards of executive directors and non-executive directors. Furthermore, from the perspective of judicial practice, some courts tend to use the standard of care of ordinary prudent and rational individuals as a measure, while others advocate defining reasonable duty of care from the scope of directors' responsibilities. The main reason for the disagreement among judges in interpreting the duty of diligence and handling specific cases is the lack of unified and clear judgment standards and legal application norms. It can be affirmed that the inconsistency reflected in judicial practice undoubtedly exacerbates the complexity and uncertainty of the determination of diligence obligations.

Therefore, it is worth exploring and researching the exact meaning of the duty of reasonable care in the duty of diligence, the criteria for determining violations of the duty of diligence, and how to apply it to directors with business decision-making power.

2. The Controversy over the Allocation of Diligence Obligations and the Selection of Judgment Criteria

2.1. Dispute over the allocation of decision-making power

When exploring the boundaries of directors' diligence obligations, the decision-making process and structure are one of the core elements. An effective decision-making process should include information collection, scheme formulation, discussion and review, decision execution, and supervision and feedback. The board of directors must follow legal procedures when making decisions to ensure the legality and rationality of the decisions. In practice, the compliance of the board process directly affects the efficiency and decision-making effectiveness of the company. In addition, the rationality of the decision-making structure, such as the allocation of power between the board of directors and the shareholders' meeting, the responsibilities and boundaries between the board of directors and the management, is also key to ensuring that directors fulfill their diligent obligations. Directors must consider the best interests of the company when making decisions, with the goal of maximizing the company's interests. Directors must comply with laws, administrative regulations, and the company's articles of association when exercising their powers, while also safeguarding the interests of the company and not using their powers for personal gain.

There has always been a debate between board centrism and shareholder centrism regarding the allocation of corporate decision-making power, which has also affected the distribution of decision-making power and the distribution of directors' diligence obligations. Although the current Company Law does not adopt the concepts of closed companies and public companies in the classification of company types, some scholars believe that the Company Law should adopt mandatory board centrism to maintain the substantive nature of the governance structure of public companies[1]. Another scholar believes that the allocation of corporate power in the Company Law can only be a principled framework. For closed companies, sufficient autonomy needs to be left, and for public companies, more options should be provided to choose a suitable model based on their own situation[2]. In the context of this controversy, the specific practice of the duty of diligence of directors is particularly important. For public companies, strengthening the decision-making power and responsibility of the board of directors, ensuring their independence and professionalism, has become the key to enhancing corporate governance structure. For closed companies, the close relationship between directors and shareholders may require directors to consider shareholders' wishes more when making decisions, but this does not mean that they can relax their adherence to diligence obligations. No matter what decision-making power allocation model is adopted, clarifying the obligations and responsibilities of directors, and strengthening supervision of the decision-making process of the board of directors are necessary conditions to ensure the healthy development of the company. The allocation mode of decision-making power should also be flexibly adjusted according to the actual operational needs and governance environment of the company.

From the perspective of the diligent duty of directors, the allocation of decision-making power determines the types and proportions of responsibilities that directors need to bear in the event of a breach of diligent duty. In other words, if shareholders control the power of business decision-making, the type of responsibility that directors bear for violating diligent duty in executing decisions should be negligence responsibility, because in this case, the main responsibility of directors is to ensure reasonable care and diligence in the execution process, rather than to formulate business strategies. If the board of directors holds decision-making power, if the directors fail to exercise reasonable care and diligence in the decision-making process, resulting in damage to the company's interests, their liability may shift to a more stringent form of liability, such as presumed fault liability or even strict liability. This shift in responsibility aims to strengthen the core position of the board of directors in

corporate governance, ensure that the board of directors fully considers the interests and long-term development of the company when making strategic decisions, and avoid irreparable losses to the company due to careless or overly risky decisions.

In summary, there is a close relationship between the allocation of decision-making power and the duty of diligence of directors. In the case where the shareholders' meeting controls the power of business decision-making, the diligent obligation of directors is mainly reflected in the execution level; When the board of directors holds decision-making power, the duty of diligence of directors runs through the entire decision-making process. In any case, directors should prioritize the interests of the company, perform their duties with caution and diligence, and avoid causing losses to the company due to personal negligence or improper behavior.

2.2. Selection of Criteria for Assessing Diligence Obligations

Compared to the duty of loyalty, the connotation of the duty of diligence has a certain degree of ambiguity. It is generally believed that the duty of diligence mainly requires the ability of company managers to prevent them from causing losses to the company due to laziness and lack of attention[2]. Compared to the moral standards of directors that the duty of loyalty focuses on (requiring directors to prioritize public interests over private ones), the duty of diligence emphasizes the ability of directors to make business decisions. The duty of diligence involves safeguarding the interests of the company's system and balancing the authority and accountability of directors[4]. The judgment of behavior that violates the duty of diligence should be the opposite, and it is necessary to choose the criteria for judging it.

In comparative law, the judgment of director's duty of diligence violation often adopts personalized judgment standards [5]. For example, German law measures it with integrity and rationality, and should exercise the usual and diligent attention of business executors. The handling of company affairs should maintain a high degree of rigor and professionalism. In the Anglo American legal system, the standard of rational person is used to determine the duty of diligence of directors, such as Article 214 of the 1986 Bankruptcy Law of the United Kingdom. If a director knows or should know that the bankruptcy of the company is inevitable before the commencement of bankruptcy proceedings, unless reasonable measures such as reorganization or liquidation are taken to minimize the potential losses of creditors, he shall be responsible for any improper transaction behavior. That is, the court may, upon the request of the liquidator, order the director to bear personal responsibility for the damages caused by these improper transaction behaviors. In the event of the actual bankruptcy of the company, the director shall also be responsible for any improper transaction behavior. This interprets the duty of care of directors. Although it is stipulated above the bankruptcy law, the evaluation technique of such duty of care has been extended to a comprehensive examination of the duty of diligence of directors. The US law adopts a rational person standard with specific director skills and experience[5]. Article 8.30 of the American Standard Companies Act sets out the criteria for determining the duty of diligence, and the use of good faith language indicates that the Anglo American legal system advocates an objective standard for assessing the duty of care. As for its judgment criteria, there are subjective and objective standards to choose from. Subjective standards focus on individual differences, emphasizing the adoption of different diligence obligations among different directors due to differences in their knowledge, skills, management abilities, decision-making levels, and appointment levels. Objectivism measures director decisions with the scale of a standard rational person. In fact, as a real person, the general path and way of thinking and reasons for the behavior of directors must be based on their inner psychological mechanisms. When it comes to specific business judgments, it is relatively appropriate to use a specific personality as a relatively objective standard for measuring the duty of care. The objectification of the duty of care standard is a relative concept proposed compared to the subjective standards adopted under the traditional common law system. In the traditional system, a typical subjective standard can be seen in the judgment of British judge Romer J. in the Urban Fair Fire Insurance Company case. The judge believes that the duty of care requires directors to perform their duties with a level of attention that

the general public can expect in the given context, and that the obligations of directors do not need to exceed the reasonable expectations of individuals with similar knowledge and experience backgrounds[6]. At the same time, it should be noted that overemphasizing the application of a certain standard is inappropriate. The duty of diligence serves as a guide and norm for the behavior of company leaders, and the law can only impose a reasonable duty of care that normal managers should have under the same circumstances[2].

If objective standards are solely used, in some cases the requirements for company directors may be too high, which is not conducive to their normal performance of duties. If only subjective standards are used, it seems that allowing mediocre directors to perform their duties in the company is not enough to promote it and may harm the interests of the company[7]. So, it seems that the law can only make a relatively vague but standard selection norm. Legal norms should be determined based on the company's own situation (company form, scale, operating conditions, equity structure, etc.) to determine the type. It should also be noted that the standard for judging diligence obligations is not fixed. With the continuous changes in the company's operating environment and the continuous improvement of corporate governance structure, the judgment criteria should also be adjusted and optimized in a timely manner. For example, in the rapidly developing technology industry, the constant emergence of new technologies and formats requires directors to possess higher professional competence and keen market insight, and the diligence obligation of directors may be even higher.

In summary, the selection of legal judgment criteria for the duty of diligence should take into account both subjective and objective standards, comprehensively consider multiple factors, and develop scientific and reasonable judgment criteria. And with the development of practice, continuous improvement and optimization can better promote the soundness and perfection of corporate governance structure, and protect the interests of the company from losses.

3. Responsibility Determination: Examination of Constituent Elements

The majority of directors who violate their duty of diligence include improper information acquisition and processing, negligence and errors in the decision-making process. The former is one of the key factors for directors to violate their duty of diligence, and at the same time, the former is often the cause of the latter. Directors must ensure the accuracy and completeness of information in the decision-making process to make informed judgments. According to the Delaware Company Law, directors must demonstrate "the care that an ordinary prudent person would have in a similar situation" when performing their duties. However, improper acquisition and processing of information may prevent directors from meeting this standard. In the decision-making process of a company, negligence and errors are often due to directors' failure to fulfill their duty of diligence, resulting in significant risks for the company. In the context of decision-making errors, directors' duty of diligence requires them to conduct sufficient investigations and careful analysis to ensure that decisions are based on accurate and comprehensive information.

From the perspective of the relationship between directors and the company, it is crucial to determine the type of liability that a director who violates their duty of diligence should bear for causing damage to the company. This also affects the composition of the elements that constitute a breach of duty of diligence, as well as the adoption of liability determination and the application of legal norms. From the perspective of corporate contract theory, a company or enterprise is composed of a series of incomplete contracts, and the company's articles of association are regarded as a typical contract between investors and managers[8]. The duty of diligence of directors seems to originate from the contractual agreement of investors, which is a relationship between the principal (shareholder) and the agent (manager). The duty of diligence of directors seems to be related to the agency in traditional civil law. As rational individuals, directors also have their own interests. In order to protect the interests of the company, a preventive mechanism is needed to urge directors to be diligent and responsible, thus creating the duty of diligence for directors in the corporate governance environment. But the duty of diligence of directors goes beyond the obligations in the contract and is

not a breach of contract liability. Firstly, the duty of diligence of directors is a statutory obligation, which is reflected in maintaining the company's capital adequacy, accepting shareholder inquiries, participating in board resolutions, and company liquidation. Although the Company Law does not specifically stipulate the specific content of the duty of diligence, it is scattered in various chapters of the public justice system. Therefore, the duty of diligence goes beyond specific clauses in the contract and belongs to statutory obligations. Secondly, when a director fails to fulfill their duty of diligence, such as negligence, slackness, or improper management, resulting in damage or potential damage to the company's interests, the director shall be responsible for their own actions, which can be regarded as infringement of the company, and shall bear the responsibility of stopping the infringement, compensating for losses, etc., rather than breach of contract compensation. Finally, in determining whether a director has violated their duty of diligence, consideration will be given to whether their behavior conforms to the normal decision-making of an upright, rational, and cautious person in a similar environment. This objective evaluation of behavior is not solely based on contractual agreements, and even if there are no clear contractual terms, they will not meet the legal standards and bear responsibility. Overall, it seems more acceptable to classify acts that violate the duty of diligence as infringement. It also complies with the provisions of the Supreme People's Court's "Provisions on the Causes of Civil Cases" that disputes arising from the breach of diligence obligations by directors, supervisors, and senior executives are classified as liability disputes for damaging the interests of the company and belong to infringement disputes. The criteria for its determination can be based on relevant rules of tort law, using fault liability or fault presumption, and without fault, there is no liability[2]. In business decision-making, the infringement that violates the duty of diligence and harms the interests of the company cannot be regarded as equivalent to the infringement elements in traditional civil law.

3.1. Examination of Subjective Composition

The American Standards Corporation Act holds that directors should act in good faith when performing their duties, and good faith is a psychological or moral evaluation of the integrity of the actor, which is a subjective standard. Mainly targeting the cognitive ability of the actor towards objective things, it is necessary to analyze the actor's cognition, understanding, judgment, and control over their own behavior and its consequences. The manifestation of diligence obligation is the subjective attitude towards business decision-making behavior and the consequences of harm. Firstly, if a director is aware of the consequences of their decision on the company and wishes or allows their decision to result in significant losses to the company's interests, such intentional behavior, although not in good faith, cannot be evaluated as a violation of their duty of diligence. It is an evaluation of the director's moral character. Regardless of the motive for causing the director to intentionally harm the company's interests, their behavior can be seen as disloyal to the company, rather than fulfilling a reasonable duty of care, and belongs to a subjective attitude that directly infringes on the company's interests. However, in practical situations, the subjective attitude of directors is often difficult to prove, especially in complex business decision-making processes. Therefore, to determine whether a director has violated their duty of diligence, it is necessary to consider whether their behavior meets objective standards. This includes a thorough understanding of decision-making information, reasonable analysis, and prudent assessment of potential risks. If a director has negligence or gross negligence in these areas, even if there is no malicious intent subjectively, it may still constitute a violation of the duty of diligence. Therefore, when determining whether a director has infringed, subjective factors should be comprehensively considered, and relying solely on good faith as a requirement for diligent performance is insufficient.

The person who violates the duty of care often holds a positive attitude towards the obligation norms, so their subjective psychology is mostly negligence[2]. The determination of a director's fault should be evaluated based on their knowledge of the commercial information related to the director's actions at that time, the company's authority to obtain information, compliance with the company's articles of association, and the assessment of the director's ability. It places the duty of diligence in

the process of the company's director's performance, and then determines whether their business decisions are flawed. Negligence can be classified as gross negligence or general negligence, and there is still controversy over whether a breach of diligence obligation is a gross negligence or a general negligence. In civil law, the standard of foreseeability is adopted for negligence. It is generally believed that if a director (professional) violates the ordinary level of foresight, it constitutes gross negligence, that is, failing to fulfill the duty of care of an ordinary person. The second paragraph of Article 180 of the Company Law uses the word "reasonable". How to understand the relationship between reasonable attention and negligence should be limited to gross negligence. It is not difficult to find in the daily management affairs of directors that their decisions are inevitably mixed with many uncertain factors, and the decision results cannot bring 100% positive benefits to the company. Faced with the constantly changing business transaction practices in the market, requiring every business judgment to be correct can result in senior management being overly cautious and even hesitant, delaying trading opportunities and reducing the company's operational efficiency. [9] For the long-term interests of the company, directors should not bear unreasonable psychological burdens when making decisions, and should not consider the responsibility they will bear when decisions fail. This will further affect the enthusiasm for business decision-making, expanding the scope of negligence to general negligence, which is neither in the interests of the directors nor the company. Some scholars have also proposed that if there is a possibility of a director violating their fiduciary duty, but there is no relevant evidence to prove it, the standard for judging the duty of diligence can be raised to general negligence[5]. Therefore, in general, the subjective violation of the duty of diligence should be gross negligence and not in good faith. In this context, it is particularly crucial to evaluate the degree of negligence of directors. It not only concerns the legal responsibility of individual directors, but also affects the overall strategic development of the company. Therefore, in the evaluation process, market changes, industry characteristics, and specific company situations should be fully considered to avoid generalizations. The definition of diligence obligations should focus more on whether directors demonstrate reasonable prudence and professional competence in the decision-making process, rather than simply pursuing the success of decision-making outcomes. Such standards are not only fair, but also inspire directors to take responsibility and make quick and wise decisions in complex and ever-changing business environments.

3.2. Examination of Objective Composition

Objectively speaking, actions with harmful consequences are a prerequisite for directors to bear the responsibility of violating their duty of diligence. Merely having harmful consequences is not enough to conclude that a director has violated their duty of diligence. The decision-making process should be focused on, and the results oriented identification thinking should be abandoned. In addition to the uncertain factors in decision-making and the ability of directors to handle business information mentioned earlier, business decisions are full of risks and challenges. Companies should be able to foresee the probability of losses that decisions may bring. Companies cannot only enjoy profits, but also transfer losses to directors. Companies also need to be prepared to bear certain losses. Therefore, even if the director has gross negligence in decision-making, if the damage result does not reach a certain threshold, it cannot be determined that the director has violated their duty of diligence. In this regard, an idealized case is introduced to illustrate that if Director A believes that the probability of failure of the decision is 10%, the risk of loss is 500000 yuan, and the cost of completely preventing the risk of failure is 50000 yuan. However, when Director A made the decision, he only spent 45000 yuan on risk prevention to prevent the risk of failure. The expected risk of this decision was 50 * 10%=50000 yuan. When the risk occurred, 9% of the loss occurred due to incomplete risk prevention by Director A. Although the cost of prevention on the surface was equal to the actual loss, the risk prevention carried out by Director A was almost useless. Director A knew that spending 50000 yuan could completely avoid the loss, but did not fully invest in risk prevention costs when making the decision? Does this mean that Director A needs to bear corresponding responsibilities? From a consequentialist perspective, the cost invested by Party A can just offset its losses, but it cannot be

denied that Party A played a "role" in preventing risks during the decision-making process. The cost of 45000 yuan invested by Party A is less than the company's expected risk of 50000 yuan, and the resulting loss of 45000 yuan is also less than the expected risk loss and less than the total risk of 500000 yuan without taking preventive measures. The expected risk of 50000 yuan can be seen as the threshold, which is the amount of reserve loss required by the company during the decision-making process. Therefore, in this case, although Director A did not take all preventive measures, his behavior did not exceed the reasonable risk range that the company could foresee. When evaluating whether a director has violated their duty of diligence, multiple factors such as their level of information mastery, risk assessment, and cost-benefit analysis should be comprehensively considered. Director A has demonstrated a strong emphasis on risk management and has made every effort to minimize losses, ensuring that their decision-making process meets the requirements of their duty of diligence. In business decision-making, risk and return often coexist, and Director A's decision reflects a balance between cost and risk, rather than simply avoiding responsibility. In business practice, this balance is at the core of the director's responsibilities and also a responsibility for the long-term interests of the company. Therefore, when evaluating whether a director is diligent, one should not solely focus on the results, but should deeply analyze the considerations and efforts in their decision-making process, so as to fairly evaluate whether the director has fulfilled their duty of diligence. Although Director A did not achieve perfect prevention, his behavior has met the general expectations of the company and the market. Although there is no such precise statistical probability and preparation calculation required for board decision-making in reality, it may be necessary to consider the marginal effects brought about by the risk prevention process. However, companies still need to estimate the expected losses in the event of decision failure.

4. Responsibility Blocking: Business Judgment Rules

The Business Judgment Rule can be seen as two sides of the same coin in determining the liability of directors for breach of diligence obligations. The Business Judgment Rule originated in the common law system of the United States and has a large number of precedents to support its development, reaching maturity and completeness. Although it has been transplanted into the laws of many countries and applied to the exemption mechanism for director's erroneous decision-making, its core is that when a company's decision-makers make business decisions that do not conflict with their own interests, as long as they are made in good faith and based on reasonable information, even if the decision appears harmful or erroneous to the company in hindsight, the decision-makers cannot be held responsible[2].

In terms of the relationship between business judgment rules and director decision protection, firstly, if the director has no breach of fiduciary duty or conflict of interest, it should be naturally assumed that any director's decision with decision-making power meets the requirements of reasonable care obligation, that is, it is presumed that the director's decision was made in good faith, with reasonable knowledge and in the best interests of the company. If the company has evidence to the contrary that the director's decision was made with gross negligence, it can be inferred. The burden of proof is about to be shifted to the plaintiff's company. In terms of proof standard, the plaintiff's proof standard needs to reach a level sufficient to overturn the protection of commercial judgment rules for director decisions. Therefore, the plaintiff who questions the director's judgment will face a higher burden of proof until the above presumption is overturned. The standard of proof required for the plaintiff's proof may not only be the "advantage of evidence standard", but also higher standards such as "clarity and persuasiveness"[10]. Furthermore, the formal review criteria based on informed consent and making decisions that are deemed to be in the best interest of the company replace the court's actual analysis of the decision content. The basis of the right to know is usually considered to be that the director has already known or understood the information that makes a certain business decision before making the decision, and the sources of this information include both the board of directors and other sources. The amount of information defined as "reasonable" is sufficient, that is,

it can meet the requirement of making a decision that is in line with good intentions. Also, because the subjective understanding of "the best decision that is in line with the company's interests" varies from person to person, some people may think it is advantageous, while others may think it is disadvantageous. So, it is generally believed that as long as the directors believe that the ideas that are beneficial to the company have a certain degree of rationality, it is sufficient. It is not difficult to see that the rules of business judgment essentially reduce the requirements of diligence obligations on directors and play a role in preventing responsibility.

Due to the complexity of commercial activities, it is difficult for directors to make decisions. Therefore, the application of commercial judgment rules does not require judges to analyze problems with commercial thinking, but rather requires judges to assume that the decisions of directors, supervisors, and senior executives are reasonable under specific conditions, thereby increasing the plaintiff's proof requirements and reducing the requirement for directors, supervisors, and senior executives to be diligent. Judges and other adjudicators, as legal professionals, naturally have limited knowledge reserves that cannot be applied to business decisions. When making judgments, judges not only place themselves in the same environmental background as decision-making directors, but also need to rely on expert opinions, just like the introduction of expert judgments in medical accidents. Because directors' professional abilities and characteristics are bound to provide decisions superior to those of laymen's courts, courts are unwilling to take over the decision-making of directors. Therefore, some scholars believe that the rule of business judgment is "judges do not intervene" rather than "judiciary does not intervene"[5]. Therefore, in judicial practice, judges often adopt an attitude of respecting business judgment and avoiding excessive intervention in directors' business decisions. This respect is not laissez faire, but rather giving directors appropriate discretion while ensuring that their actions do not violate legal and ethical bottom lines. At the same time, this also requires directors to ensure the transparency of their decision-making process and the adequacy of information when making decisions, in order to avoid unnecessary risks to the company caused by the implementation of human facts.

5. Conclusion

The determination of director's violation of diligence obligations needs to start from the connotation and extension of diligence obligations, and classify the violation of diligence obligations into the category of infringement, so as to apply the tort law, which is a practical and widely recognized division. Subjectively, acts that violate the duty of diligence should be generally accepted only in cases of gross negligence. At the same time, it should be recognized that determining whether a company's directors' decisions violate their duty of diligence cannot be solely based on results. In addition to the company having some room for trial and error and fault tolerance, corresponding exemption or exclusion systems should also be established in law. The selection of evaluation criteria for directors' breach of diligence obligations is a legal and technical issue, and personalized judgment criteria are widely accepted by various countries. Building a rational and objective standard for determining whether there is gross negligence in directors' decisions is also helpful. In the judicial practice process in China, most court judgments use personalized judgment criteria, but China is not a case law country, so it still needs guidance from judicial interpretations.

Directors are the service providers of the company, and the duty of diligence imposes many obligations and responsibilities on them. The law cannot require directors who play the role of service providers to prioritize the company's affairs over their own affairs, nor can they be held accountable for having access to all relevant business information when making business decisions. Therefore, when determining acts that violate the duty of diligence, it should be lenient rather than strict. By establishing a scientific, reasonable, and flexible recognition mechanism, we can promote the optimization and upgrading of corporate governance structure.

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