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## New Corporate Governance Guideline for Public Companies

On 6 June 2017, the Government of Vietnam issued Decree No. 71 (“Decree”) to improve corporate governance of public companies, thereby enhancing the existing provisions of the Law on Enterprises 2014. This Decree takes effect from 1 August 2017 (“Effective Date”).

Below are some of the notable effects of the Decree:

### Stricter provisions on management positions

The Decree recognises a need for stricter regulations on management positions to prevent the possibility of conflicts of interests. Specifically, 3 years after the Effective Date of the Decree, a chairman of the board of management of a public company may not concurrently be a director or general director of that same public company.

Similarly, after 2 years from the Effective Date, a member of the board of management of a public company may not concurrently be a member of a board of management of more than 5 other companies.

### Increased rights and obligations of shareholders

In addition to the rights and obligations of shareholders already maintained by the Law on Enterprises 2014, the Decree also gives shareholders extended rights to:

- a. **Be treated equally.** This right is reflected in the fact that each share of the same class now gives shareholders ownership of equal rights, obligations and interests. If a company has preference shares, the rights and obligations attached to the types of preference shares must be approved by the general meeting of shareholders and announced in full to the shareholders.
- b. **Full access to information.** The shareholders are guaranteed the right to fully access periodic and ad hoc information announced by the company in accordance with provisions of laws.
- c. **Protect their legitimate interests.** If a decision made at a general meeting of shareholders or passed by the board of management breaches the law or company charter, shareholders may request cancellation or suspension of such decisions in accordance with the laws.

### Tighter controls on conflicts of interests

As a measure to restrain conflicts of interests, the Decree has introduced several new disclosure requirements, specifically:

- a. Members of the board of management, inspectors, directors, general directors and other managers of a public company must notify the board of management and inspection committee of the occurrence of any transaction between the public company, a subsidiary company, or a company in which the public company has controlling right of more than 50% of the charter capital on the one hand and such member or related person of such member on the other hand;

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- b. Members of the board of management, inspectors, directors, general directors and other managers must publicly announce their related interests in accordance with the Law on Enterprises and relevant legislations; and
  - c. Members of the board of management may not vote on any transaction which benefits them or their related persons in accordance with the Law on Enterprises and the company's Charter.

If you have any questions or require any additional information, please contact [Phuc Nguyen](#), [Hoang Nguyen](#), [Quynh Lien Nguyen](#) or the ZICO Law partner you usually deal with.

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