Amcham 2016 Annual General Meeting

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Partner, Baker Mckenzie
Chair, AmCham HR Committee

13 December 2016
Agenda

1. Labor Code revision
2. Increase of minimum wages in 2017
3. Pilot program on electronic visas
4. Circular No. 10 on Share Award Plans
1. Labor Code revision

Why: International commitments and practical difficulties.

- Proposed changes:
  - Amendment of the current Code only, not an entire new Code.
  - Extensive changes to the Labor Code.

- Progress:
  - Draft zero now posted on MOLISA Website.
  - The first draft will be submitted to the Gov. in January 2017, and submitted to the NA in March 2017.
  - The latest consultation meeting was held by VCCI in cooperation with ILO on 29 Nov 2016 in Hanoi.
2. Increase of minimum wages in 2017

2.1 General Minimum Wage ("GMW")

- From VND 1.21 million (in 2016) up to VND 1.3 million effective 1 July 2017.
- Impact: increase of compulsory social insurance, health insurance and trade union fees contribution.
  - The cap salary used as the basis for calculation of the above contribution is 20 times of the new GMW (i.e., VND26 million)
  - This will cause the increase of insurance contribution admist concerns that the insurance fund is going bankrupt.
2. Increase of minimum wages in 2017 (cont’d)

2.2 Regional Minimum Wage (“RMW”)

<table>
<thead>
<tr>
<th>Region</th>
<th>2016 RMW (VND mil)</th>
<th>2017 RMW (VND mil)</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region I</td>
<td>3.5</td>
<td>3.75</td>
<td>7.1%</td>
</tr>
<tr>
<td>Region II</td>
<td>3.1</td>
<td>3.32</td>
<td>7.1%</td>
</tr>
<tr>
<td>Region III</td>
<td>2.7</td>
<td>2.9</td>
<td>7.4%</td>
</tr>
<tr>
<td>Region IV</td>
<td>2.4</td>
<td>2.58</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

- Applicable from 1 Jan 2017.
- Impact: increase of the cap salary used as the basis for unemployment insurance contribution (i.e., 20 times of the RMW). The cap for Region I will be VND75 million.
3. Pilot program on electronic visas

- Applicable to one-time entry visa with a duration of not exceeding 30 days.

- Conditions to foreigners: valid passports and are not subject to any condition of suspension from entry under the law.

- The program will commence on 1 February 2017 and last for 2 years.
4. Circular No. 10 on Share Award Plans

- Foreign companies can grant share awards and/or awards with rights to buy shares with preferential conditions to employees under Share Award Plans. Vietnamese employees participating in such plans have the right to:
  
  - receive, own and sell shares abroad;
  - receive, exercise and sell the rights to buy shares; and
  - receive dividends and other lawful income (i.e., the amount of money derived from the sale of awarded shares, or the right to buy shares) through their employing entities.

- Took effect on 13 August 2016.
Any questions?

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