

Invest Korea

June 2022

Tim Yeo

Honorary UK Ambassador of
Foreign Investment Promotion
for Korea

Investing in the Future

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Myeongji Noksan National Industrial Complex Emerging as a Futuristic Manufacturing Industrial Complex
Blue Communication, Specialized in Providing Fun and Easy Software Education

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Economic Trends

Here's a look at Korea's major economic indicators that provide an overview of the recent economic developments.

Source:

International Monetary Fund (IMF),
Bank of Korea (BOK),
Korea International Trade
Association (KITA),
Ministry of Trade,
Industry and Energy (MOTIE)

Korea added 865,000 jobs year-on-year in April 2022 and the unemployment rate fell by 1.0%p from a year ago to 3.0%. Consumer prices grew by 4.8% year-on-year due to the continued increase in oil prices, and core inflation rose by 3.6%.

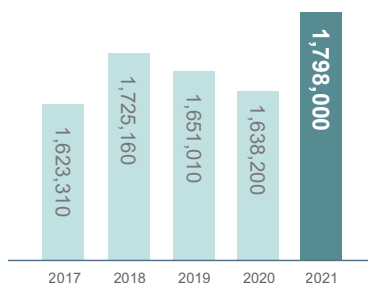
Stock prices decreased in April out of concerns for the US Federal Reserve's interest rate hike, the Russia-Ukraine war and global inflation, while the Korean won weakened and Korea treasury yields picked up. Housing price growth eased in March, and prices of Jeonse (lump-sum deposits with no monthly payments) declined.

While consumption is expected to pick up due to continued recovery of employment and lifting of social distancing restrictions, concerns that the longer-than-expected Russia-Ukraine war and the resulting supply chain disruptions could undermine investment, restrict export recovery, and continue to cause high inflation.

Source: Ministry of Economy and Finance

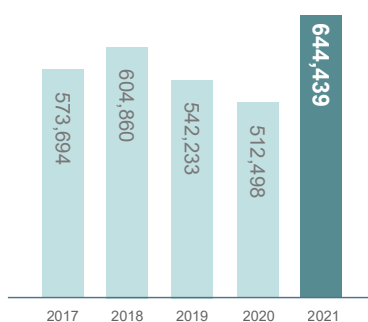
GDP

(Unit: USD millions)



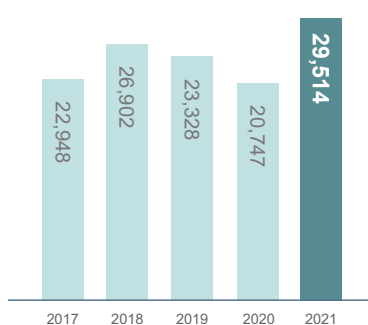
Exports

(Unit: USD millions)



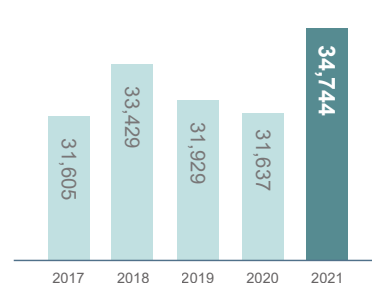
FDI

(Unit: USD millions)



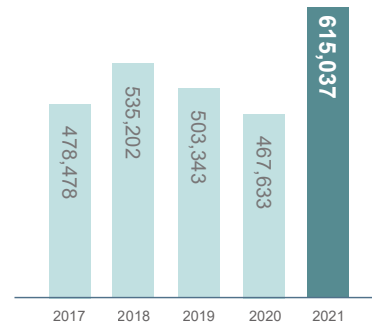
Per capita GDP

(Unit: USD)



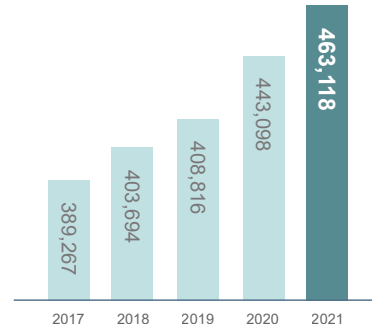
Imports

(Unit: USD millions)



Foreign exchange reserves

(Unit: USD millions)



Foreign Direct Investment

Netflix subsidiary to invest USD 100 mln in S. Korea

Scanline VFX, a subsidiary of Netflix, will invest USD 100 million in S. Korea over the next six years to build special visual effects facilities in a move that will help turn the country into an Asian hub for high-tech content creation, Seoul's industry ministry said on May 20.

Stephan Trojansky, the head of the global visual effects company, expressed hope the envisioned investment in S. Korea will create jobs and foster cooperation with local companies.

Scanline VFX, established in 1989 in Munich and recently acquired by Netflix, is working on various projects not just for the U.S. streaming service giant but also for many global brands, such as Warner Bros. and Marvel Studios. It is

known for creating special effects for the popular U.S. series "Game of Thrones."

The investment came amid intensifying competition in the S. Korean streaming market, as Netflix and its rivals are seeking to create Korean originals after the global hit of Netflix's "Squid Game."

Last year, Disney+, the flagship streaming service of U.S. media giant Walt Disney Co., and Apple TV+ landed in S. Korea. U.S. media giant Paramount Global said Paramount+, its subscription-based video streaming service, will land in S. Korea next month in partnership with Tving, a local online video-on-demand platform run by CJ ENM.

Umicore sets up rechargeable battery research lab in S. Korea

Belgium-based Umicore N.V. has completed its research laboratory for rechargeable battery materials in central S. Korea that could help promote the local industry, the industry ministry said on May 10.

Umicore's central technology center is based in Cheonan, about 90 kilometers south of Seoul, and serves as the company's Asian hub for research and development of key materials for next-generation rechargeable batteries, according to the Ministry of Trade, Industry and Energy.

Umicore, an international materials technology company, will invest KRW 36 billion (USD 28.2 million) in the center, the largest among its research labs around the globe, until 2025, which will likely create about 100 new jobs.

Umicore's technology center marks the fourth research lab that foreign companies have established here in line with Seoul's efforts to attract research centers of companies engaging in advanced industries, the ministry said.

Korea pitches to Thermo Fisher to build production base in Korea

Seoul has gone to draw investment from Thermo Fisher Scientific, an American supplier of scientific instrumentation which pledged USD 650 million to expand global capacity in vaccine material production without specifying the location.

Yeo Han-koo, the minister for trade, visited the company's bioprocess design center in Songdo, in the west of Seoul, to pitch Korea's potential and policy to become a vaccine hub.

Thermo Fisher is a multinational life science

firm with 80,000 employees in 60 countries around the world. It produces core materials, such as biohazard disposal bags and cell culture media, which are in solid demand amid the pandemic.

After establishing its Korean operation "Fisher Scientific Korea" in 1994, the company has conducted various investments. It opened the bioprocess design center for bioresearch and bioengineering in July last year and set up the bioprocess supply center to support the region's bio manufacturers in January this year.

Trade & Commerce

Seoul diversifying to non-Chinese supply chain by joining IPEF

S. Korea has joined the U.S.-led Indo-Pacific Economic Framework (IPEF) to ensure its trade market of 40 percent and supply security amid realignment of the global order from U.S.-China conflict and isolated Russia due to military aggression.

The Korea International Trade Association (KITA) in a report pointed out the Indo-Pacific region accounted for 44.8 percent of the global economy in 2020, 35.3 percent of entire trade, and 35.2 percent of population. The region's combined gross domestic product amounted

to USD 38.16 trillion and trade volume USD 12.07 trillion.

The four key agendas of IPEF are fair trade, supply chain, clean energy and decarbonisation, and tax and anti-corruption. Among them, Korea has its focus on supply chain, clean energy and decarbonisation.

In the supply network, Korea has an upper hand over other countries in chip and battery-related capacities. It also has predominant technology and manufacturing capability in nuclear sector that paves the ground for decarbonisation.

Industry

Ratio of renewable energy-based power generation hits new high in 2021

The amount of electricity generated from renewable energy in S. Korea touched an all-time high in 2021 on government efforts to cut greenhouse gas emissions, data showed on May 30.

Electricity produced from renewable energy sources came to 43,085 gigawatt hours last year, accounting for 7.5 percent of the country's total power generation, according to the state-run Korea Electric Power Corp.

The ratio was three times higher than that a

decade ago. It marked the first time for the share to surpass the 7 percent level.

The volume of power generated from solar power, wind power and other renewable energy sources was also up 3.5 times from 10 years earlier.

The sharp rise in renewable energy's proportion came as S. Korea's push to greenhouse gas emissions to cope with global warming and climate change.

S. Korea-led int'l association on hydrogen industry kicks off

S. Korea, the U.S. and 16 other countries on May 25 launched an association meant to boost cooperation in the development of the hydrogen industry, Seoul's industry ministry said.

The member countries of the Global Hydrogen Industrial Association Alliance (GHIAA) shared the current status of their hydrogen industry and related policy measures at an inaugural meeting at a Seoul hotel.

The S. Korea-led alliance will set up a net-

work and data hub in the hydrogen field to boost cooperation in terms of deregulation, policy steps, and technology development, according to the Ministry of Trade, Industry and Energy. The participating countries include China, Britain, Germany and Singapore.

S. Korea was chosen as the first chair country of its secretariat, and the office was set up in Seoul.

S. Korea's top 500 companies achieve sale milestone of near USD 550 bn Q1

The combined sales of S. Korea's top 500 companies by revenue have surpassed KRW 700 trillion (USD 548.4 billion) for the first time in the first quarter, with information technology (IT) and electric, and electronics industry accounting for nearly one-fifth of the total led by chip industry boom.

According to Seoul-based business tracker

CEO Score on May 17, 344 of top 500 companies by sales that handed in their first quarter reports have raised KRW 793 trillion in sales in the first quarter ended March, up 19.8 percent from the same period a year ago.

It is the first time for the quarterly total to surpass KRW 700 trillion.

Government & Policy

Yoon's gov't to offer KRW 3 tln support to tourism industry for 5 yrs

The incoming government of President-elect Yoon Suk-yeol plans to spend KRW 3 trillion (USD 2.37 billion) for five years from next year to help rehabilitate the tourism industry, which has been hit hard by the prolonged COVID-19 outbreak, the transition team said on May 2.

The new government will boost the post-COVID-19 recovery of the tourism sector through public-private tourism revitalization projects and the revision of the Tourism Promotion Act as well as through financial support, the team said.

Financial support will continue to be expanded until the crisis-hit tourism industry recovers, it said, noting low-interest and special loans worth a total of KRW 3 trillion will be offered to the sector for five years from next year.

The Yoon government will expand tourism exchanges and cooperation with China and Japan, and simplify the immigration process for tourists from those countries. It will also pay attention to fostering tourism ventures and select about 1,200 innovative technology businesses that will receive support at each stage of growth.

Key Policy Tasks Under President Yoon Suk-yeol

Transition team unveils 110 key tasks to pursue under Yoon

On May 3, the transition team under the government of incoming President Yoon Suk-yeol unveiled 110 key policy tasks to pursue, including a "revolutionary" reinforcement of capabilities to respond to North Korea's nuclear and missile threats and scrapping the nuclear phase-out policy.

The tasks are aimed at realizing six broader goals that the incoming government plans to seek under the administrative vision of "A Republic of Korea that leaps anew, a people's nation of co-prosperity," the transition team said.

The six goals are to establish an upright country where common sense is restored; a dynamic economy led by the people and backed by the government; a society where everyone is happy, in warm company; a bold future created through freedom and creativity; a global leading nation that contributes to freedom, peace and prosperity; and an era of regions that makes it good to live anywhere in the Republic of Korea.

The 110 tasks that will help realize the goals range from helping small businesses fully recover from the damage of the COVID-19 pandemic to expanding the housing supply and scrapping the nuclear phase-out policy.

The tasks for foreign policy and security include pursuing North Korea's "complete and verifiable" denuclearization, normalizing inter-Korean relations, strengthening the South Korea-U.S. military alliance, and a "revolutionary" reinforcement of the country's capability to

respond to North Korea's nuclear and missile threats.

Economic security is an overarching theme, with tasks such as securing an "overwhelming lead" in the semiconductor, artificial intelligence, battery and other future strategic industries.

By doing so, the incoming administration expects to increase semiconductor exports by over 30 percent from USD 128 billion last year to USD 170 billion by 2027, the final year of its term; maintain its biggest share of the global battery market; and become one of the world's top three robot producers.

Scrapping the nuclear phase-out policy will entail pursuing Yoon's campaign pledges to resume construction of the Shin-Hanul No. 3 and No. 4 nuclear reactors and actively seek contracts to export 10 nuclear reactors by 2030.

Among other tasks are scrapping the justice minister's right to direct specific investigations by the prosecution, revitalizing the economy through regulatory reform, and increasing the salaries of conscripted soldiers.

Excluded from the tasks were Yoon's campaign promises to abolish the Ministry of Gender Equality and Family and deploy additional units of the U.S. THAAD antimissile system in the country.

The four principles to guide the actions of public officials in executing the tasks are national interest, pragmatism, fairness and common sense.

The transition team said it expects the incoming government will need KRW 209 trillion won (USD 165 billion) more than this year's government budget to implement the tasks.

It also said it created an image of the 110 tasks, converted it into a non-fungible token (NFT) and gave it to Yoon in the hopes he will make his promises to the people "non-fungible" over the next five years.

New Korean gov't to relax regulations, tax rules for private sector-led growth

The incoming South Korean government under Yoon Suk-yeol will significantly relax regulations and offer businesses generous tax benefits to promote the private sector-led growth and reform trade policies to cope with growing threats from weaponized economic activities by bigger economies.

The new head of state will preside over newly created regulatory and industry innovation strategy meetings to facilitate the growth of more innovative businesses in the country.

This is part of the Yoon administration's efforts to drive Asia's fourth largest economy's growth through the private sector. To facilitate business activities, the new government will form a regulatory innovation promotion group consisting officials from the private and public sectors and academia to examine various regulations and suggest measures to improve them.

It will also expand and reform the current regulatory sandbox system to make it easier to create an innovative ecosystem for new industries. It will also promote citizens and businesses to actively suggest regulatory improvement through a newly created government system.

The Yoon government will also seek to adopt a negative regulatory system that ensures all things acceptable except those specifically banned by the government. This is considered better than the country's current positive

regulatory system in promoting creative innovations in business.

Tax relation is another perk for private businesses. The new government will expand tax support to spur businesses to invest and hire in Korea and reshoring. It plans to slash taxes on reserve income dividends to encourage businesses to spend reserve income on investment.

It will also give businesses in digital and low-carbon industries tax benefits for their research and development (R&D). Korean companies moving their manufacturing sites from overseas back home will enjoy income tax and corporate tax reduction.

The president will also lower barriers for business succession tax deduction system and special system on family business succession gift tax for smooth transfer of innovative technologies and capital between generations.

Policy finance under the new government will focus on future core technologies and sectors that need large-scale funding such as carbon neutrality. The government will also roll up its sleeves to boost R&D on advanced industries such as chips and batteries, vaccines, displays, and hydrogen energy and offer tax benefits. M&As will become easier under the incoming government that will introduce a fast-track review system for M&As.

At a time when big economies tend to weaponize their resources and trade to influence rivals, the new government will set up a new security committee under Prime Minister consisting experts and related ministry officials to maximize national interest in strategic technology and supply sectors highly competitive among major economies. The Yoon government plans to establish a response system integrated with expertise of diverse sectors and enhance national security system, said an unnamed official from the transition committee.

One-on-One with Tim Yeo

Honorary UK Ambassador of Foreign Investment Promotion for Korea



Investing in the Future

Invest Korea talks to Tim Yeo, Honorary Ambassador of Foreign Investment Promotion for Korea, to gain more insight on Korea's business environment and what Korea can offer for foreign companies.

After graduating from Cambridge University, Tim Yeo worked as an investment analyst in London before moving into fund management and investment banking. He entered politics in 1983 and was a member of the UK Parliament until 2015. From 1988 to 1994, he served as Government Minister in the Foreign Office, Home Office, Department of Health and Department of the Environment before chairing the Environmental Audit Select Committee (2005-2010) and the Energy and Climate Change Select Committee (2010-2015).

Following his extensive career in government, Tim is currently Chairman of ElecLink Limited, Consultant of Powerhouse Energy Group plc, Chairman of the New Nuclear Watch Institute, Honorary Professor at University College, London, as well as Honorary UK Ambassador of Foreign Investment Promotion for Korea.

Invest Korea interviews Tim to learn more about his experience in the public and private sectors and to gain

insight on Korea's business environment and what the country can offer for foreign companies.

Please tell us a little bit about yourself. What is your story and your relationship with Korea

After graduating from Cambridge University, I worked as an investment analyst in London before moving into fund management and investment banking. I was a Member of Parliament for 32 years and at one time a Minister responsible for climate change and energy efficiency.

Since leaving politics, I have been Chair and non-executive director of UK and French listed and unlisted companies in the energy, transport and healthcare industries.

My relationship with Korea began over a decade ago taking part in an annual forum for senior Korean and UK politicians and business leaders. In 2011, the UK Government asked me to discuss climate change with Korean officials, Parliamentarians and business people.



Korea has the most highly educated and qualified workforce of any country in the world.



What are the historical, economic, or cultural qualities of Korea that appeal to you the most?

I respect Korea's centuries' long history and the courage it showed before, during and after World War II. I am proud that British and Korean soldiers fought side by side during the Korean War. I admire Korea's extraordinary post-war economic success despite its very limited natural resources.

The priority which Korea attaches to education has been key to its progress. This has enabled it to transform a poor war-ravaged nation into one of the richest countries in the world in only 70 years. The application of innovative high tech solutions to economic and industrial challenges accelerated this transformation. And today, Korea is rightly famous across the world for its films, its music and its outstanding lady golfers.

On the back of your extensive experience in high-ranking government posts, as well as various influential positions in the private sector, what are the advantages of doing business in Korea?

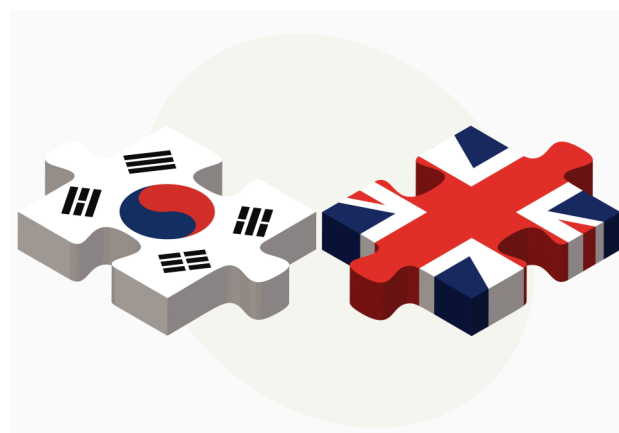
Korea has the most highly educated and qualified workforce of any country in the world. It has the world's best IT infrastructure and an excellent domestic transport network. This is very attractive to any foreign investors who are considering entering the Korean market.

It also has extensive range of free trade agreements with many countries, which makes it easy to export from Korea to these countries. The combination of these facts makes Korea a very advantageous place to do business.

How interested are companies from the UK in doing business in Korea, and what kinds of industries are they eyeing in the Korean market?

As the UK economy adjusts to being outside the European Union, its businesses are seeking closer ties with Korea and other countries outside Europe.

Gradually, UK companies are becoming better informed about what Korea offers and this knowledge





The application of innovative high tech solutions to economic and industrial challenges accelerated this transformation.



makes them more keen to do business there. The UK is interested in both manufacturing and service industry opportunities.

In line with the global transition into a greener economy, what types of business opportunities does Korea's energy sector (renewable energy/nuclear power) offer for companies from the UK and around the world?

Two aspects of the clean energy transition are particularly attractive. Firstly, the UK is a world leader in the offshore wind industry which it has promoted by providing generous subsidies for wind farm developments in UK waters.

Like Korea, the UK intends to continue to expand its offshore wind energy capacity, including the use of floating wind turbines. Secondly the UK plans to invest heavily in new nuclear energy capacity. KHNP's recent success in exporting Korean nuclear technology to the UAE makes Korea well placed to participate in the forthcoming revival of nuclear energy in the UK.

What are your aspirations for Korea-UK relations and what would you like to accomplish during your term as honorary ambassador?



I hope to promote closer Korea-UK relations and to ensure that UK businesses are better informed about the benefits of investing in Korea.

In particular, I hope that both Korea and the UK will be at the forefront of the global response to climate change. Working in partnership our countries can lead the world towards the faster adoption of clean low carbon technology across a wide range of industries and businesses.

Can you tell us some of your ideas for revitalizing the business and investment relations between Korea and the UK going forward?

With the help of the excellent team in the London office of KOTRA, I hope to increase the personal contacts between UK business people and their counterparts in Korea. I also want to ensure that more UK businesses and investors are aware of the help and advice they can obtain from KOTRA about business conditions and opportunities in Korea.

In my view, the more that the UK, its people, investors and businesses know about Korea, the more they will want to invest and do business there.



Key ESG Laws and Regulations of S. Korea

1. Environment

a) Towards Carbon-Neutral World

At the UNFCCC COP 26 held in Glasgow, then-S. Korean President Moon Jae-in submitted the Intended Nationally Determined Contribution (INDC) to achieve a 40 percent domestic reduction in greenhouse gas emissions by 2030, a significant increase from the 2018 levels of 26.4 percent. In 2021, the Framework Act on Low Carbon Green Growth, a key legal basis for Korea's domestic implementation of the INDC, is to be abolished. Instead, the Framework Act on Carbon Neutrality and Green Growth (Carbon Neutrality Act) has entered into force on March 25, 2022. It requires the government to cut its greenhouse gas emissions in 2030 by 35 percent or more from the 2018 levels to achieve carbon neutrality by 2050, with the "2050 Carbon-Neutral Green Growth Committee" established. Indeed, the legislation of Carbon Neutrality Act is in line with Korea's statement at the COP26. The Act also includes the provision of a fund (the "Climate Response Fund") to support the classes, regions, and industries vulnerable to the climate crisis, based on the concept of "climate justice."

Since 2015, K-ETS (Emission Trading Scheme) has been operated under Act on the Allocation and Trading of Greenhouse-gas Emission Permits. If greenhouse gas emissions of a company or public entity exceeded the allocated emissions, then the company or public entity either had to pay administrative fines, purchase emissions rights from the emissions trading market, or offset excessive

emissions with offset credits. Also, with the revision of the sub-regulation on K-ETS in 2021, by purchasing REC (Renewable Energy Certificates), an organization receives credit for carbon emissions in the amount equivalent to the purchase amount (indirect emissions from electricity use). This is to encourage companies to participate in the RE 100 (production of products using only renewable energy), representing the partial integration of the RPS (Renewable Portfolio Standard) market and the K-ETS market.

b) Air, Water, Waste, and Soil

As for air quality, the Clean Air Conservation Act (CACA) regulates air emission by way of imposing discharging facilities either to obtain a permit or file a report. Also, the Special Act on the Improvement on Air Control in Air Control Zones designates certain areas "air control zones" and sets emission limits for each zone whereby certain facilities are mandated to request permission.

The main legislation governing water quality has been Water Environment Conservation Act (WECA), under which wastewater discharge facilities are required to report or gain permission.

Gathering, transportation, storing, recycling, and disposing solid and hazardous waste are controlled by the Wastes Control Act (WCA). The Act categorizes waste into two main categories and provides a differentiated management system for each category: industrial waste and household waste. Any business operator that discharges (i.e.,

generates) industrial waste must report the waste type and amount to the relevant local authority. The operator must treat the waste directly, or have it treated by someone with a license to manage a waste treatment business or operate a waste treatment facility.

The Soil Environment Conservation Act (SECA) regulates matters relating to soil pollution in Korea and prohibits the disposal of pollutants. Regarding soil contamination, this act imposes two types of liabilities: payment of damages or contamination remediation obligations. While the former is a type of strict liability borne by the persons responsible for the soil contamination, the latter is a liability borne by persons designated by the law (e.g., the owner of the facility that caused contamination).

c) Chemicals

Hazardous products and substances are mainly regulated by the Act on Registration, Evaluation, Etc. of Chemicals (K-REACH), Chemicals Control Act (CCA), and Act for the Safety Control of Consumer Chemical Products and Biocides (K-BPR). K-REACH is similar to EU-REACH in the way that it regulates the market entry of a chemical substance. Also, K-BPR may be seen as a counterpart of EU-BPR, in imposing safety and labeling standards for certain consumer chemical products and requiring manufacturers and importers of biocidal products to obtain prior approval for the biocides. CCA regulates the usage of such chemical substances once introduced to the domestic market. The manufacture, keeping, storage, transport, and use of chemical substances (collectively, handling) require a business permit and handling facility in accordance with the specifications set forth in CCA.

d) Aggravated Penalties and Liabilities

There has been an amendment to the Act on Control and Aggravated Punishment of Environmental Offenses,

increasing penalties imposed on the business entities that have illegally discharged “specific pollutants,” which are likely to harm human health, property, or the growth of animals and plants. Regardless of the proceeds (usually the cost of discharge treatment) from the illegal discharge, penalties are now calculated as the sum of the amount not exceeding 5 percent of the sales and the remediation costs.

2. Social

a) No More Death in Workplaces

Conglomerates have been put on alert over the implementation of the Serious Accidents Punishment Act (SAPA), which has gone into effect on January 2022. SAPA imposes criminal penalties on the business owner and/or managerial responsibility holder (MRH) of a business whose failure to secure safety and health in violation of the requirements of the SAPA causes serious accidents, as the case may be. Without codification of SAPA, the “business owner” is obligated to undertake safety and health measures to maintain and promote workers’ safety and health and is criminally liable for the violation of such duties, as per the Occupational Safety and Health Act (OSHA). High-ranking executives have easily avoided criminal liability even in the event of “professional negligence resulting in injury/death” since courts have denied a finding of professional negligence from a mere violation of a general and abstract duty of care. In that regard, to protect high-ranking executives from potential liability, businesses’ command system has been organized in a way that minimizes their involvement in safety management. Thus, the legislative goals of SAPA are to block this loophole in the existing OSHA regime and further encourage the top management of companies to exercise companywide leadership, making workers’ safety and health a core organizational value. In line with the introduction of SAPA, obligation under OSHA have become reinforced as well.

b) Labor Conditions

Aside from workplace safety, overall labor conditions such as minimum wage, health coverage, unemployment benefits, whistleblower protections, paid leave, and gender-based discrimination are protected and guaranteed by the Labor Standards Act, Equal Employment Opportunity and Work-family Balance Assistance Act, Protection of Public Interests Reporters Act, and so forth.

Such relief measures that induce an increase in the employment rate for women represent typical gender-based affirmative actions. Taking it a step further, the proportion of female executives will go up since listed companies with KRW 2 trillion or more in total assets are required to have at least one female director on their board by August 5, 2022, as per the Financial Investment Services and Capital Markets Act (FSMA).

c) Further to the Above

The Fair Transactions in Subcontracting Act, Product Liability Act, and Personal Information Protection Act appertaining to ‘Social’ are also major contributors to ESG management.

3. Governance

a) Minority Shareholders’ Rights

The Commercial Act adopted multi-level derivative action that now enables a shareholder who holds more than 1 percent of shares in the parent company to request that its subsidiary company file a lawsuit against the directors to compel them to perform their obligations. On the other hand, the competence of a member of the audit committee gained more independence by way of separated elections of directors who also serve on the audit committee. Both revisions strengthened minority shareholders' rights.

b) Stricter Regulation on the Shareholding Ratio of the Holding Company

The Monopoly Regulation and Fair Trade Act (MRFTA) raised the shareholding ratio requirement for the subsidiaries or second-tier subsidiaries, with respect to newly established holding companies or entities newly converted into a holding company—the shareholding ratio from the current 20 percent to 30 percent for listed companies and from the current 40 percent to 50 percent for unlisted companies, from December 30, 2021.

c) The Korea Stewardship Code

Over 175 institutional investors participate in the Korea Stewardship Code. The Korea Corporation Governance Service (KCGS) developed and constantly revised the code, to facilitate institutional investors’ accessibility to Stewardship Code-related information and give due weight to the code. Currently, there are 50 more preliminary participants submitted the applications.

d) For More Inspection

Along with those mentioned above, the Act on External Audit of Stock Companies, Act on Corporate Governance of Financial Companies, and Financial Group Supervision Act also cover governance regulations for Korean companies or institutions.

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Lee & Ko

** The opinions expressed in this article are the author's own and do not reflect the views of KOTRA.*

Industrial Trends

Starting from the June 2022 issue, Invest KOREA introduces a new section called "Industrial Trends," capturing South Korea's latest industry trends. This information has been compiled based on data from the Ministry of Economy and Finance and the Korea Institute for Industrial Economics and Trade and is the latest update as of the publish date.

All Industries

In March 2022, the index of all industry production increased, including mining & manufacturing industries and service industry.

Total area	Production (previous month)	Mining & manufacturing	Service	Retail sales	Equipment investment	Construction completed
Feb. 2022→Mar. (From the previous month, %)	-0.3→+1.5	+0.3→+1.3	-0.4→+1.5	0.0→-0.5	-5.6→-2.9	-7.8→-0.3

Despite a minor adjustment in semiconductor production, the production of mining & manufacturing industries grew for six consecutive months, driven by food & beverage (for quarantine at home) and ship industries. The average capacity utilization rate of the manufacturing industry recorded the highest level in nine years and two months at 78.9%. The service industry production posted the biggest rise in nine months, boosted by increases in the sales of financial products and by more outdoor activities resulting from a lift of social distancing restrictions.

The retail sales of nondurable goods* including food, beverage and medicine increased as opposed to those of durable goods* resulting from the considerable base effect* of the previous month. Equipment investments both in machinery and transport equipment fell due to supply chain disruptions.

* Durable goods: Goods for long-term use whose benefits are gradually consumed.

* Nondurable goods: Goods consumed in a short period.

* Base effect: When evaluating economic indices, the relative standing of the basis level and the level of comparison may result in a significant difference.

The overall industrial activities in March continued to recover especially on the production side with industrial production rebounding thanks to the joint recovery of mining & manufacturing industries and service industry. However, the expenditure side lagged behind due to situations at home and abroad including the spread of omicron and supply chain disruptions.

Nevertheless, the improving economic sentiment—buoyed by the continued double-digit growth rates in export, the recent fall in new COVID-19 cases and a lift of social distancing restrictions—is expected to have a positive impact on the index trend.

Considering the persisting domestic and international uncertainties—including the heightening inflation pressure, lengthened crisis in Ukraine, concerns of worsening supply chain disruptions caused by China's lockdown, and the possibility of accelerated monetary policy shifts by major countries—the South Korean government while making the best effort to manage risks on national and international levels is committed to implementing policies to stabilize consumer prices for people's livelihood and to keep the economy on the recovery track.

Industrial Trends by Industry

Auto

Domestic consumption in March increased by 19.2% year-on-year due to disruptions in production. The resurgence of COVID-19 cases in China caused difficulties in sourcing parts, leading to a fall in production volume and a drop in domestic car sales by 21.2%. The number of registered imported cars increased by 28.1% from the previous month but decreased by 8.7% from the previous year due to persisting supply shortage.

Bogged down by COVID-19 and the Ukraine crisis, South Korea's exports turned to decline in March. Despite the growth of EV exports by 72.2% year-on-year, the overall export decreased by 9.7% with exports to Russia and to Ukraine plunging by 82.7% and 99.8% respectively.



Despite the worsening crisis in Ukraine dragging down exports to Russia (-44.7%) and to Ukraine (-98.1%), the active investments in construction, transportation and digital infrastructure by advanced countries helped sustain the upward export trend in construction equipment, processing and machine tools.

Steel

In March, exports rose by 26.8% year-on-year, driven by the recovery of global demands and the continued increase in export unit prices.

Exports exceeded USD 3 billion for ten consecutive months thanks to the recovery of and supply disruptions in EU's construction industry, the increase in the capacity utilization rates of the construction and auto industries of South America, India and the Middle East, and the continued rise in global steel prices.



Shipbuilding

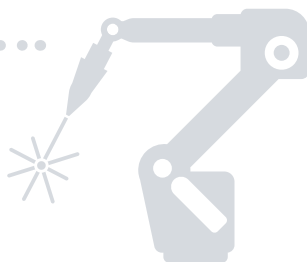
Exports in March decreased by 35.9% year-on-year, resulting from the rapid drop in the exports of ships including

high-value gas carriers. In contrast to brisk exports in 2021, South Korea's shipbuilding industry suffered from tumbling ship orders in 2020 due to COVID-19 and the subsequent decrease in ship deliveries.



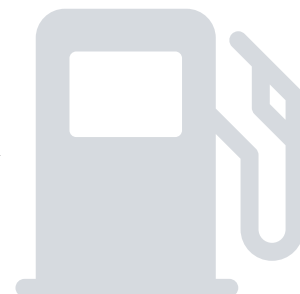
General machinery

Exports in March continued growth for the 13th month to stand at USD 4.855 billion by recording an all-time high for the month of March and growing by 3.0% year-on-year.



Oil refining

The worsened geopolitical instability widened the growth rate of oil prices and export unit prices. In February, domestic consumption increased by 3.9% due to the rising demand of lubricating oil and aviation fuel while the export volume grew by 12.2% (3.0% year-on-year) driven by brisk exports of transportation petroleum products including gasoline, diesel, aviation fuel and lubricating oil. In March, exports surged 90.1% year-on-year, buoyed by higher unit prices and increased volumes.



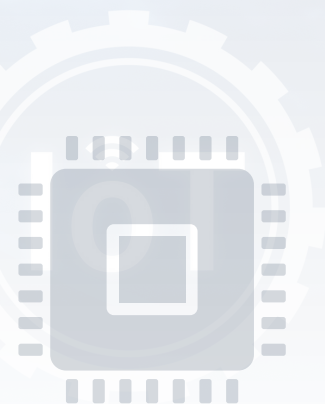


Petrochemical

In March, exports continued growth, boosted by rising demands in downstream industries and higher unit oil prices. Petrochemical industry exports achieved the best-ever record by reaching USD 5.42 billion. The continued recovery of downstream industries including construction and auto helped the exports of synthetic resin, synthetic rubber and others continue the upward trend. Exports grew evenly in major export destinations including China, ASEAN, Japan and the Middle East, supported by the rising demand of hygienic products and higher unit prices boosted by increasing global oil prices.

monthly export value. Exports grew for the twentieth consecutive month since July 2020, as well as surpassing USD 10 billion for eleven straight months. Each month, growth rates exceeded 24.0% from April 2021 to March 2022 to maintain the steep upward trend.

*During the period, the growth rate was highest in August 2021 at 42.6% and lowest in February 2022 at 24.0%



Wireless communication devices



In March, exports increased by 44.5% year-on-year, driven by the strong growth of the global mobile phone market, the increase in component prices and the new product releases by major South Korean players. Exports to China, the US and Europe grew by 79.8%, 50.8%, and 40.9% respectively, supported by the increased exports of premium products such as foldable phones (priced USD 400 or higher) and by the growth of the nation's market share in the mid- to low-priced phone market.

Display

Exports in March increased for 12 consecutive months, growing by 48.4% year-on-year driven by the rising added value of smartphone panels. The increase in panel prices raised LCD exports by 14.1% while OLED exports grew for nineteen straight months since September 2021, posting a growth rate of 71.8% backed by stronger demands of high value-added OLED panels including LTPO and foldable panels.



Semiconductor

Exports in March rose by 38.0% year-on-year to stand at USD 13.118 billion, recording an all-time high



Robotics Industry Expected to Become a Game Changer

Robots improve the quality of life by promoting enhancement of industrial productivity and increasing convenience of life for the socially disadvantaged including the disabled, in response to changing population structure caused by low birth rates and population aging. The role of robots has been increasing as a main player in the non-face-to-face economy driven by the COVID-19 pandemic. Korea's big corporations including Samsung Electronics, LG Electronics, and Hyundai Motors used to sit on the fence in the past. However, they are making intensive investments in recognition of robots as a new growth engine. The Korean government also has implemented policies to foster the robotics industry, devising three basic plans for intelligent robots (in 2009, 2014, 2019) since the enactment of the 'Intelligent Robots Development and Distribution Promotion Act' in 2008.

Korea ranks 1st in robot density

The Korean robotics industry has been growing at an annual average rate of 5.4 percent, recording KRW 5.5 trillion sales as of 2020. Driven by the rapid growth of robots for services, the total market grew 2.6 percent year-on-year.

When it comes to robot density, the number of operational robots per 10,000 employees, Korea was ranked 1st (932 units) in 2020. By sales volume, Korea was ranked 4th in the global manufacturing robot market. This is attributable to the fact that manufacturing robots are concentrated on specific areas such as automobiles, semiconductors and electronic industries in Korea. Manufacturing robots recorded KRW 2.9 trillion sales, 2.7 percent dip from a year earlier due to contraction of new investment from major demand industries which were

hit by the prolonged COVID-19 pandemic. In Korea, the share of manufacturing robots in the total robot market has continued to decline to 77 percent from 82.2 percent in 2019, 83.7 percent in 2018. However, this is still a notably high proportion, in comparison to the 56.5 percent of the global robot market. Of 558 companies, five companies have recorded more than KRW 100 billion in sales revenue, while 514 SMEs (92.1 percent of total) with less than KRW 10 billion.

In 2020, service robots recorded KRW 0.8 trillion in sales revenue, 34.9 percent up from the previous year, driven by increased sales of cleaning robots to reduce household chores and expanding commercialization of

high-performing and expensive surgery robots. Of 458 companies, two companies recorded more than KRW 50 billion in sales revenue (LG, Samsung), while 437 SMEs (95.4 percent of total) recorded less than KRW 5 billion.

In 2020, the export amount of robots was KRW 1.1 trillion, 5.2 percent up from a year earlier, driven by the export expansion of semiconductor manufacturing robots. The import amounts recorded KRW 0.5 trillion, 11.6 percent down from a year earlier, due to reduced imports of parts. In 2020, the number of companies was 2,427, down 8.6 percent from a year ago, growing 5 percent at an annual average rate over the past six years.

Sales Trends of Korea's Robotics Market

Unit: KRW 100 million, %

	2015	2016	2017	2018	2019	2020	AAGR (2015-2020)
Total	42,169	45,972	55,255	58,019	53,351	54,736	5.4
Manufacturing robots	25,831	27,009	34,017	34,202	29,443	28,658	0.6
Service robots	6,277	7,464	6,459	6,650	6,358	8,577	6.4
Robot parts	10,061	11,499	14,779	17,167	17,550	17,501	11.7

Source: 2020 Korea Robot Industry Survey Report (MOTIE, Korea Institute for Robot Industry Advancement (KIRIA), Korea Association of Robot Industry (KAR) / Dec. 2021)

Korea's Large Corporations Make Investments in Recognition of Robots as Next-Generation Growth Engine

Samsung Electronics launched a robot business team in mid-December 2021, announcing its entry to the robot market in earnest. LG Electronics also launched its robot business, acquiring Robostar, and making equity investment in robot companies such as Robotis, Angel

Robotics, expanding its robot business scope. Hyundai Motors also dived into the robot business, acquiring 80 percent of Boston Dynamics, a global robot company, at KRW 1 trillion. Boston Dynamics, based on quadruped robot, humanoid robot, and logistics robot, intends to create a synergy effect with Hyundai's existing technologies including wearable robots, autonomous driving vehicles, Urban Air Mobility (UAM), and smart factory. In addition, wireless communication providers such as KT,

SK, and LG Uplus, are accelerating entry to the robot business, in consideration that convergence with AI, big data, and cloud capabilities can put them in the driver's seat in the future service robot market.

Korean Government Lays the Foundation to Support Robotics Industry after Enactment of Robot Act

The Korean government enacted the 'Intelligent Robots Development and Distribution Promotion Act' in 2008 to lay the foundation to support the robotics industry in a consistent and systematic way. Based on the Act, it formulated the 1st and the 2nd Basic Plans, establishing the Korea Institute for Robot Industry Advancement (2010), intensified support for the robotics industry since 2011 by identifying robot-related businesses. After the end of the 2nd Basic Plan (2014-2018), it has formulated and carried out the 3rd Intelligent Robot Basic Plan (2019-2023). To swiftly improve the technological capability of the robotics industry, the government has invested more than KRW 600 billion in R&D of robotics technology over 10 years, built seven bases for the purposes of testing, verification, demonstration, and enterprise support for developed robots, and introduced a regulatory sandbox by revising the Industrial Convergence Promotion Act. Seven base centers include the Robot Certification Center (Daegu), Safety Robot·Underwater Robot Complex Center (Gyeongbuk), Manufacturing Robot Technology Center (Gyeongnam), Marine Robot Center (Busan), Healthcare Robot Center (Gwangju), Robot Industrialization Support Center (Daejeon), and Convergence Parts Center (Bucheon).

Strengthen Support to Facilitate the Transition of All Industries to be Robot-Based

The Korean government plans to encourage transition to smart manufacturing by further developing models of robot utilization in the aerospace, shipbuilding, and chemicals areas, which have great effects in the upstream and downstream industries, while expanding the application of existing models. It plans to discover new business models customized to demands from contactless and non-face-to-face areas such as serving,

cooking and education, while increasing support for development of robot service models to address consumers' problems. In addition, it will induce further demand for a wide-range of robots by developing and supporting private-sector focused financial support models such as robot specialized insurance, lease, and rental. It also intends to push for large-scale demonstration of robot convergence services focused on facilities close to people's everyday lives so that people can experience them at first hand, while contributing to resolve social problems such as the aging population and low birth rates. It will also enhance the deployment of robots customized to daily life, including pet robots for emotional interaction and home healthcare robots, designed to enhance the convenience of one-person household. By implementing the Regulatory Innovation Roadmap seamlessly, the government plans to continue to preemptively improve regulations and create business environment favorable to new products, and establish the demonstration infrastructure and technology support systems to promote the commercialization of high value-added robot products converged with the state-of-the-art technologies including 5G, AI, and big data.

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** The opinions expressed in this article are the author's own and do not reflect the views of KOTRA.*

Myeongji Noksan National Industrial Complex Emerging as a Futuristic Manufacturing Industrial Complex

Established in 2002, Myeongji Noksan National Industrial Complex in Busan now houses some 1,600 businesses. They are mostly operating machinery, transportation equipment, petrochemical, and steel businesses, and the Complex is known for the nation's biggest cluster of shipbuilding equipment businesses. Moreover, Busan has excellent transportation infrastructure including the Tri-port System connecting an airport, railways, and ports.

- Location: Myeongji-dong and Songjeong-dong, Gangseo-gu, Busan and Yongwon-dong, Jinhae, Gyeongsangnam-do

(Unit: 1,000 m²)

Total area	Industrial facilities	Supporting facilities	Public facilities	Green area
6,971	4,317	473	1,739	442

1. Center of Busan's Manufacturing Economy

In 2021, Myeongji Noksan National Industrial Complex recorded a cumulative production amount of KRW 12.13 trillion and a cumulative export amount of USD 4.02 billion. The amounts account for more than 40% of the total production and export amounts of all 36 industrial complexes in the Busan region, which demonstrates that the Complex is leading the region's manufacturing economy.

2. Transformation to an Intelligent and Green Industrial Complex

Busan Noksan Smart Green Industrial Complex Project Team was launched in February 16, 2022 to transform the Complex into a leading digital complex combined with ICT, a smart green logistics complex with improved infrastructure and a youth-friendly complex for training young talents with a sound job-creating eco-

system. Moreover, the establishment of an ESS (energy storage system) farm and an EV (electric vehicle) charging hub is expected to enable virtual net metering and present a new profitable business model.

3. Innovation of the Manufacturing Complex Driven by Collaborative R&D Projects

In addition to biz hub activities and mini clusters in the four areas of plants, shipbuilding and marine engineering, convergence parts and materials, and new technology convergence plating, large-sized collaborative R&D projects linking central industrial complexes and hub industrial complexes are implemented to enable smart manufacturing R&D. Moreover, technology matching projects are consistently carried out to transfer the technologies of local universities, research centers and large enterprises to tenants by focusing on open labs and large enterprise key technology briefing sessions.

Blue Communication, Specialized in Providing Fun and Easy Software Education

About the Company

Established in November 2013, Blue Communication has 167 employees dedicated to software education and providing software and AI learning opportunities under the brand “AsomeIT.”

Blue Communication is improving the quality of education and customer satisfaction by directly providing everything from educational hardware and software, content to education services by considering that existing educational hardware providers, publishers and educational service providers specialize in certain areas and have limitations in providing an overall learning experience.

Company milestones:

- 2022** 1000 Innovative Businesses Leading Korea (Ministry of Trade, Industry and Energy. Knowledge service category)
- 2021** 2021 Korea AI Awards (IT Chosun)
Designation and certification as an innovative product (Minister of SMEs and Startups)
April 2021 Korea Software Awards (SW product category)
Designation as a software education provider (Minister of Science and ICT)
- 2020** Awarded by the government on the 21th Software Industry Day (Minister of Science and ICT)
- 2019** Citation from the mayor of Incheon
Seoul International Invention Fair (Bronze award)
2019 Seoul Awards: Excellent Product
- 2018** Designation as a Hi-Seoul Brand Company (Mayor of Seoul)
Venture enterprise certification (Korea SMEs and Startups Agency)
- 2017** Launching of software coding education brand "AsomeIT"
- 2013** Establishment of Blue Communication

Background

CEO Hee-Yong Jeong of Blue Communication has worked for Micro Software, a monthly magazine for software developers first published in 1983, as a reporter, chief editor and publisher for eleven years before recognizing the importance of software education and developed an education course by refining his software learning experiences with his two sons.

Blue Communication's vision is to create an eco-system enabling more exciting software learning experiences at reasonable costs for students around the world by providing educational tools and content that help students learn software while having fun, understand the mechanism and develop their creativity, thereby

About the Product and Technology

Software education in its infancy mainly focused on boosting students' creativity through physical computing (i.e., building hardware and writing codes for its operation), and a physical computing board called "Arduino" was widely used. Compared to specialized devices used for developing electronic products, Arduino is much easier to use and enables simply software development. However, students often find Arduino difficult to learn.

Blue Communication developed AsumeBoard for

physical computing to help students readily learn the mechanism and widely apply their knowledge. Based on AsumeBoard, a robot (AsumeBot), a self-driving car (AsumeCar) and an IoT device (AsumeKit) were developed for educational purposes. These educational tools were all verified by the KC Safety Certification, the Electromagnetic Wave Conformity Standard Test, CE and FCC. They were also designated by the Ministry of SMEs and Startups as innovative products and were listed by the Public Procurement Service as preferential purchasing items.

Two types of software (AsumeCode and AsumeBlock) developed for the effective use and learning of these tools received the Good Software (GS) grade 1 certification. Developed before AsumeBlock, AsumeCode received the Korea Software Awards in April 2021 awarded by the Minister of Science and ICT. Blue Communication's diverse education results, education and the quality of its software technology were widely recognized: in 2021: it won the Tech Credit Bureau T-3 certification and received a citation from the Minister of Science and ICT for its contribution to the development of the software industry. Blue Communication continues to implement diverse education projects at home and abroad.



Photo 1. AsumeIT educational tools: AsumeKit, AsumeBoard, AsumeBot and AsumeCar (left to right)

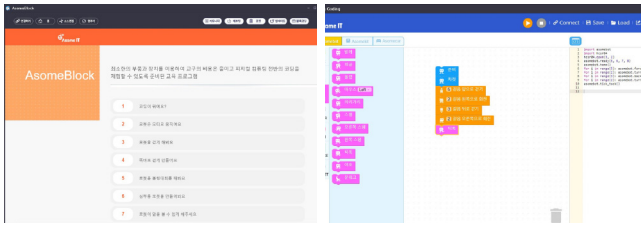


Photo 2. AsumeBlock

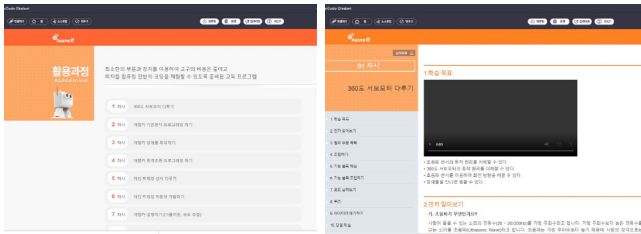


Photo 3. AsumeCode

Competitive Edge and Business Strategy

Established based on leading technologies and rich software education experiences, Blue Communication hosted the 2019 “SW Miraechaum” program sponsored by the Korean government for the purpose of creating a software education ecosystem and implementing education programs. Through the program, Blue Communication emerged as Korea’s leading software education provider by rapidly widening the basis for software education mainly in Incheon, Ulsan and other major regions.

As it develops the hardware and software needed for education as well as providing education services, Blue Communication can provide an optimized integrated education solution. It is also developing an innovative software education platform on metaverse with the R&D assistance of the Korea Internet and Security Agency.

Based on the rich experiences of having provided learning opportunities in Korea and with its verified software and software and its metaverse-based software education platform expected to open a new era, Blue Communication aims to drive Korea’s education industry by enabling students around the world to readily learn software while having fun and grow as leaders of tomorrow.

Future Plans

Promoting software education by focusing on hardware is riddled with problems. Production costs soar in times like now when manufacturers have troubles procuring parts. Moreover, their products must be certified in each country requiring different sets of standards, and the processes can be very lengthy and costly. After sales service is another obstacle impeding Korean companies from exploring the global market.

We found the solution to these problems in metaverse. Blue Communication is developing a service enabling the user to use a minimum level of hardware and directly run simulation with various robots and IoT devices on the metaverse so that everyone can learn software, IoT, physical computing and AI anytime, anywhere.

To that end, Blue Communication partnered with metaverse specialist Tech Art Group and the Korea Information Certificate Authority Inc. for technology development. Korea’s largest after-school education provider MIRAENEDUPARTNER is assisting the service demonstration process.

Blue Communication’s goal is to develop the service before the end of 2022 and to create an environment where students at home and abroad can learn various courses while having fun and share their ideas with friends around the world.

By Hee-Yong Jeong

CEO

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<http://asomeit.com>

* The opinions expressed in this article are the author's own and do not reflect the views of KOTRA.

Invest KOREA Market Place

Invest Korea Market Place (IKMP) is an online business matching platform available on Invest KOREA's website with information on approximately 300 Korean companies seeking to partner with foreign investors. This month, Invest Korea introduces some outstanding companies in Korea's robotics industry.

COMPANY A



*Customer recognition/
analysis systems*



Payment robot with facial recognition

Investment Requirement		Company Profile	
Amount	USD 1 million	Patents and Certificates	Registration of 6 patents locally and abroad
Investment Structure	All available	Financial Performance	(Sales in 2019) USD 0.04 million

Investment Highlights

- **Artificial intelligence (AI)-based services:** The company's platform offers an AI-based face-object-emotion recognition software. As a commercially viable kiosk equipped with artificial and emotional intelligence, it can support smart customer services, such as product/service recommendations tailored to customer tastes, upselling, and membership management, through the AI recommendation algorithm of the facial recognition-based contactless payment system.
- **AI robots market:** The development of big data processing and advanced mechanical technologies has led to the explosive demand for AI robots in different fields, such as military, defense, personal support and care, inventory management, and responses to emergencies like fires and disasters. According to Markets and Markets, the global AI robots market is projected to reach USD 12.36 billion by 2023 from USD 3.49 billion, with a compound annual growth rate (CAGR) of 28.78% during the forecast period.

COMPANY B



Kidney stone removal robot



*Flexible surgical robot
(for endoscopic cancer surgery)
A prototype is currently under
development*

Investment Requirement		Company Profile	
Amount	USD 10 million	Patents and Certificates	Registered for 52 domestic and foreign patents
Investment Structure	Financial investment (minority), joint venture	Financial Performance	(Sales in 2019) USD 1.01 million

Investment Highlights

- **Flexible surgical robot:** The flexible surgical robot is inserted into the human body through natural openings (mouth, anus, urethra, navel, etc.) to treat tumors and stones, using the least invasive method possible. As the robot can perform various surgery and medical procedures without incising the skin, patients can recover from such procedures quickly and be treated more safely than existing treatments as no scars are left.
- **Surgical robot market:** As the benefits of surgical robots—such as rapid surgery time, fast recovery, and lower risk of infection—become more apparent due to the development of robotic technology, the global demand for surgical robots is also rapidly increasing. The size of the global surgical robot market is expected to grow from USD 4.2 billion in 2016 to USD 13 billion in 2022 at an average annual growth rate of 20.7%.

For more information please e-mail ikmp@kotra.or.kr, or visit the Invest KOREA Market Place page on www.investkorea.org.



Korea 101: Health and Healthcare

Health Insurance System

(1) Overview

Korea has a health insurance system under which all those enrolled pay a certain amount of insurance premium every month depending on their income and assets.

If you enroll in national health insurance, you can use medical institutions at a low cost when you are sick or give birth. You can also get regular checkups. All citizens except medical benefit recipients must subscribe to the national health insurance program.

The Korean healthcare system provides two



types of healthcare: employee health insurance (workplace insurance) and self-employed health insurance (community insurance). Workers and employers of all workplaces and public officials and school employees enroll in employee health insurance. Persons whose livelihoods are supported mainly by an employee health insurance subscriber can become dependents through an application by the employee insured if they meet both the support and income requirements prescribed by the Enforcement Rules of the National Health Insurance Act. Persons who are neither employee health insurance subscribers nor their dependents shall be enrolled in self-employed health insurance. If you are an employee health insurance subscriber, your company pays 50 percent of your premium and you pay the other half of the premium which is determined by the income you receive from the company. However, individuals who have income other than salary exceeding KRW 34 million must pay the full insurance premium after KRW 34 million is deducted from global income.

When the insured receive medical treatment at a hospital, the National Health Insurance Service covers part of the medical expenses, making medical examination or treatment at a hospital, a medical clinic, or an oriental medical hospital more affordable. They also enjoy the benefit of health examinations every two years although the frequency varies by age.

(2) Foreigners Eligible for Health Insurance

Foreigners registered as aliens who work for a place of business in which health insurance is available and foreigners appointed or employed as public officials and school faculty members become employee health insurance holders. Those who registered as aliens who are not eligible for employee health insurance and their dependents become enrolled in self-employed health insurance. Self-employed health insurance holders must maintain the status of sojourn mentioned in attached Table 9 of the Enforcement Rules of the National Health Insurance Act. Foreign residents who reside in Korea for more than six months will automatically obtain local subscriber qualification for national health insurance.

However, a foreigner who has not lived in Korea for more than six months may enroll in health insurance when if it is clear that he/she will stay in Korea for more than six months for reasons of pursuing studies or immigration through marriage.

If you have further questions please contact

or visit



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www.investkorea.org

Are there any disadvantages when a foreign investor fails to register as a foreign-invested company?

Every month, Invest Korea provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.

Q.

Are there any disadvantages when a foreign investor fails to register as a foreign-invested company?

A.

A foreign investor who fails to register as a foreign-invested company cannot prove that his/her foreign investment has been completed. As a result, matters such as visa applications for a stay in Korea or the transfer of dividends or proceeds from the sale of stocks to foreign countries cannot be processed.

- Therefore, all foreigners who have completed a foreign investment (including partial execution of investment satisfying the requirements for foreign investment under the Foreign Investment Promotion Act) should apply for registration (registration of alteration) as a foreign-invested company within 60 days from the occurrence of relevant events*, as prescribed by Article 21 of the Foreign Investment Promotion Act.

* Occurrence of relevant events: The completion of payment for the object of investment, the completion of acquisition of stocks, etc. (settlement of payments), or the completion of contributions

- In addition, a delay or other disadvantages may be experienced in cases requiring a certificate of the registration of a foreign-invested company (when renting an office or a facility in a foreign investment zone or applying for exemption from the mandatory bond purchase under the Housing Act or the Urban Railroad Act)

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New Legislations

Here's a brief look at Korea's newly proposed & enforced legislations.

Newly Proposed Legislations

Ministry in Charge	Legislation	Opinion Submission Due Date
Ministry of Food and Drug Safety	Partial Amendment to the Rules on the Safety of Drugs, etc.	June 13, 2022
Ministry of Trade, Industry and Energy	Pre-Announcement of Partial Amendment to the Enforcement Rule of the Foreign Investment Promotion Act	May 30, 2022

Please submit your opinion on the newly proposed legislations and get more information on newly proposed legislations on the Foreign Investment Ombudsman website (<https://ombudsman.kotra.or.kr/ob-en/bbs/i-2651/list.do>).



Newly Proposed Legislations

Ministry in Charge	Legislation	Opinion Submission Due Date
Ministry of Environment	Enforcement Rule of the Consumer Chemical Products and Biocides Safety Control Act	February 10, 2022

Legislation Summary: (1) The Minister of Environment may determine and publicly declare the phrases that should not be used by persons manufacturing, importing, selling or distributing consumer chemical products subject to safety verification when packaging or advertising the relevant product so that the public can be clearly aware of such phrases (2) To prevent hazards that can be caused by consumer chemical products subject to safety verification or biocidal products, the report number or approval number shall be added to the phrases used in product advertisement so that the product's compliance with safety standards can be confirmed (Article 34 (2) 4).

To see more newly enforced legislations in Korea, visit the Invest KOREA website (<https://www.investkorea.org/ik-en/bbs/i-2715/list.do>).



Settlement of Accounts and External Audit

I. Companies subject to External Audit and Appointment of External Auditor

1. Companies subject to external audit

Under Article 4 of the Act on External Audit of Stock Companies (the “External Audit Act”), in case of (i) a stock-listed company, (ii) a company that is to be listed (if it wishes to become a stock-listed company during the relevant fiscal year or the following fiscal year), or (iii) a company that is an unlisted stock company or a limited liability company that meets one of the following requirements for total assets, sales or size, in principle, the company’s accounts must be audited by an independent external auditor (Article 4(1) of the External Audit Act, Article 5(1), (2) of the Enforcement Decree of the same Act).

Classification	Unlisted Stock Company	Limited Liability Company
Total Assets	KRW 50 billion or more (as of the end of the immediately preceding fiscal year)	
Sales	KRW 50 billion or more (in the immediately preceding fiscal year; however, if the company was established during the immediately preceding fiscal year, relevant sales would be calculated by dividing the sales in that fiscal year by the number of applicable months, then multiplying by 12.)	
Size	Meeting at least two of the following requirements as of the end of the immediately preceding fiscal year: <ol style="list-style-type: none"> 1. Assets of at least KRW 12 billion 2. Debt of at least KRW 7 billion 3. Sales of at least KRW 10 billion 4. At least 100 employees 	Meeting at least three of the following requirements as of the end of the immediately preceding fiscal year: <ol style="list-style-type: none"> 1. Assets of at least KRW 12 billion 2. Debt of at least KRW 7 billion 3. Sales of at least KRW 10 billion 4. At least 100 employees 5. At least 50 members

2. Timing and procedure for appointment of external auditor

Companies that were obligated to appoint an external auditor for the immediately preceding fiscal year must appoint an external auditor within 45 days from the start of the fiscal year. Companies that were not obligated to appoint an external auditor for the immediately preceding fiscal year must appoint an external auditor within 4 months from the start of the fiscal year. As an exception, companies that are required to establish an audit committee under applicable laws and regulations, such as the Korean Commercial Code (“KCC”), must appoint an external auditor before the start of the fiscal year. (Article 10(1), (2) of the External Audit Act)

When appointing an external auditor, a company must first cause its statutory auditor or audit committee, as applicable, to establish the criteria and procedures for selecting the external auditor (provided, however, that if an external auditor appointment committee must approve the selection of the external auditor, as discussed below, then the external auditor appointment committee must first approve the criteria and procedures for the external auditor’s selection). When appointing an external auditor, (i) the audit committee selects an external auditor if the company has an audit committee, and (ii) the statutory auditor selects an external auditor if the company does not have an audit committee. In the case of a stock-listed company, a large unlisted company (a stock company with total assets of KRW 100 billion or more as of the end of the immediately preceding fiscal year) or a financial company, an external auditor appointment committee must be separately formed, and the statutory auditor must select an external auditor upon approval by the committee. If a covered company does not have a statutory auditor, that company must still select an external auditor; among such companies, a limited liability company with capital of KRW 1 billion or more must select its external auditor after obtaining approval from the general meeting of its members (Article 10(4) of the External Audit Act).

The appointment of external auditor must be (i) reported to the ordinary general meeting of shareholders convened after the appointment of the auditor, (ii) notified to shareholders in writing, or (iii) posted on the website of the company until the termination of the audit contract with the external auditor (Article 12 of the External Audit Act). In addition, unless an exception applies, the appointment of external auditor must be electronically reported to the Securities and Futures Commission of the Financial Supervisory Service within 14 days from the execution of the contract with the external auditor.

II. Settlement of Accounts and External Audit Procedures

Directors of a company must prepare financial statements (balance sheet, income statement, supplementary statements, statement of changes in equity or statement of appropriation of retained earnings (or statement of disposition of deficit), statement of cash flows, notes, and consolidated financial statements) and business reports for approval by the board of directors each fiscal year. After the board meeting approving the fiscal year’s financial statements, etc., the board of directors must submit the financial statements and the business report to the company’s statutory auditor (or to its audit committee, as applicable) six weeks (or four weeks for a limited company) prior to the date set for the ordinary general meeting of shareholders, under the KCC (Articles 447, 447-2, 447-3, 579 and 579-2 of the KCC). Under the External Audit Act, the board must also submit the individual financial statements to the company’s external auditor by no later than six weeks prior to the date set for the general meeting of shareholders, and must submit the consolidated financial statements to the external auditor by no later than four weeks prior to such date (Article 6(2) of the External Audit Act and Article 8(1) of

the Enforcement Decree of the same Act).

The statutory auditor or the audit committee must submit an audit report to the board of directors within four weeks (three weeks for a limited liability company) from the date of receipt of the documents, pursuant to the procedures set forth in the KCC (Articles 447-4 and 579 of the KCC). Under the External Audit Act, an external auditor is required, in principle, to submit an external audit report to the company's board by no later than one week prior to the ordinary general meeting of shareholders; provided, however, that the external auditor may submit the consolidated financial statements of a company not subject to the K-IFRS within 120 days from the end of the fiscal year (or 90 days from the end of the fiscal year, for a company not subject to the K-IFRS with total assets of KRW 2 trillion or more as of the end of the immediately preceding fiscal year) (Article 23(1) of the External Audit Act and Article 27(1) of the Enforcement Decree of the same Act).

As such, a company's audited financial statements must be submitted to an ordinary general meeting of shareholders for approval under the KCC, and the company's business report must be submitted to and reported to the ordinary general meeting of shareholders (Articles 449 and 583(1) of the KCC). A joint stock company may approve its financial statements by a resolution of its board of directors as set forth in its Articles of Incorporation ("AOI"), provided that (i) the company must obtain an external auditor's opinion that the financial statements properly present the financial status and business performance of the company in accordance with applicable laws and regulations and the AOI, and (ii) the statutory auditor must consent (or audit committee members must unanimously consent), and if such approval is granted, the details of the financial statements must still be reported at a general meeting of shareholders (Article 449-2 of the KCC).

Under the KCC, a company's board of directors is required to keep the company's financial statements, business reports, and audit reports at the company's head office for five years, and certified copies thereof at the company's branch offices for three years, starting from one week before the ordinary general meeting of shareholders (however, a limited liability company must keep such documents at the head office for five years only); shareholders and creditors of the company may inspect such documents at any time during the company's business hours, provided they pay the expenses determined by the company, and shareholders and creditors may request certified copies or abridged copies of such documents (Articles 448 and 579-3 of the KCC). In addition, if a listed company's financial statements are approved at the ordinary general meeting of shareholders, its board must, without delay, give public notice of the balance sheet including the name of the external auditor and the full audit opinion (Article 449(3) of the KCC and Article 23(6) of the External Audit Act). Under the External Audit Act, a company must keep and disclose its financial statements and the external auditor's audit report thereon in the same manner as provided in the KCC, and must keep and disclose consolidated financial statements and the external auditor's audit report thereon at its head office and at its branches for five years from the date after the deadline for submission of the audit report to the board of directors (Article 23(5) of the External Audit Act and Article 27(7) of the Enforcement Decree thereof).

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** The opinions expressed in this article are the authors' own and do not reflect the views of KOTRA.*

A large, colorful sculpture of a person with arms raised, holding a globe, surrounded by flowers. The sculpture is made of green material, with a red, yellow, and blue checkered pattern on the lower part. The arms are raised, holding a large globe. The sculpture is surrounded by a field of orange and pink flowers. The background is a clear blue sky.

Greenery Both Near & Far

Dream Park in Sudokwon Landfill Site

Dream Park is an ecological space and leisure park on reclaimed land flanking the Gyeongin Ara Waterway in Incheon. The site is operated by Sudokwon Landfill Site Management Corporation which set its vision decades ago on the ideals of savvy waste management, energy conversion and regenerative, purifying techniques. Through processes honed through years of persistent research, it has now reached its near-end stage of preparing to welcome the public.

“Sudokwon” literally means “Capital Zone” and refers to the greater Seoul area, a region that includes the city of Incheon and the densely populated Gyeonggi-do Province. Forty-eight percent of its waste comes from Seoul; 19% from Incheon; 33% from Gyeonggi-do Province. Considering the province’s size (much bigger in area than the other two metropolitan cities), it is impressive that the Sudokwon Landfill Site Management Corporation (SLC) takes care of all 64 of 66 metropolitan regions (which excludes two counties in Gyeonggi-do Province and Incheon, respectively).

SLC was established specifically for purposes of managing waste from the listed metropolitan areas exhaustively and in a further systemic and advanced manner. By the time of its establishment (1992), Nanji-do Island, which was formerly used as a dump for trash from Seoul, was in complete overload. To alleviate the region from being consumed by waste from the national capital, SLC, a territory that at the time, that at the time belonged to Gimpo came about. For that reason, hearing others

refer to the site as “reclaimed land in Gimpo” remains commonplace.

Managed by SLC, Sudokwon Landfill Site is a former wasteland that is no longer barren nor useless. By converting waste into energy through its well-honed recycling techniques empowered by regenerative techniques, especially through its LFG power plant, the world’s largest, useful elements are reaped from materials that are otherwise emitted as toxins.

Accumulated Know-how & Technologies

SLC was established in 2000 and has boosted its eco-friendly pursuits in waste management and regeneration through varied and persistent measures. By converting methane gas to fuel electricity, desalinating leachate (from landfill) to utilize it to cool the power plant, using combustible household wastes as solid refuse fuel and utilizing biogas from food waste in greenhouses, the corporation is a gigantic lab-in-progress with interrelated projects. The enormous municipality-backed project has been undergoing active R&D-based tests, primarily to gauge how much it can help our planet and its long-term sustainability.

In 2019, it transformed and opened to the public its resource circulation site, which is now Dream Park, but renovations and COVID-19 precautions led to a temporary shut-down. Officially reopened to the public in spring of 2021, parts of the verdant grounds of the Landfill Site open at varying periods. For instance, a select portion of the Wildflower Complex, located next to the East Gate, hosts regional summer festivities, especially when summertime evenings are long and temperate.

Though locals have found the portion pleasant enough for outdoor enjoyment, the grounds don’t remain open year-round, simply in order to provide the most optimal customer journey. SLC heeds such customer experience needs in arranging or limiting its opening hours as is appropriate.

Trees uprooted during Typhoon Lingling (2019) have been preserved in upside-down forms. She hit the region more forcefully than other parts of the peninsula. Agricultural lives of approx. Yeouido District’s size were wiped out, and thousands of structures were destroyed or dented.

This greenhouse for saplings nurtures flora that would be arranged to adorn parts of the Dream Park. The



food waste leachate uses biogas to heat the greenhouse, and local residents participate in nurturing them. © SLC

Picturesque Paths

Between the Main Office and the Wildflower Complex is a line of metasequoia trees, a visual and olfactory treat from early summer. They are also lined up lushly and orderly in a way that resembles scenes from a romance film. In fact, the faux roadway has appeared in the iconic K-drama “Goblin” in a scene where the main characters reunite after dueling. Apart from the classic drama, other scenes of movies and dramas that feature naturescapes for romantic strolling often visit the forested walkway, as the road is not open for vehicles to drive through.

The best time to visit is when fancy flowers like pink muhly burgeon and flaunt their colors, early summer being Korea’s most temperate time of year. A casual walk through the Wildflower Complex is sure to afford nice scenery with little of the artifice found in some botanical parks. Local residents manage much of the plants themselves, and SLC has focused on letting wildflowers thrive

in their own way.

From fields for picnicking to ponds lush with their own plant life and mostly miniature-sized structures, Dream Park harnesses a varied spectrum of land types.

The park’s vista involves not just flowers and greenery, but also ponds and streams, marsh life and bridges cutting through them.

Variety

The Landfill Site has spaces for activities apart from strolling around, basking in the colors and scents of the flora.

Landfill Site 1 hosts a 36-hole golf course — golf is a popular sport in Korea, despite the little space for fields. Occupying a part of the course is Resident Sports Park; to its right, towards the East Gate are Horseback Riding Facilities, a camping site and a swimming pool.

The Dream Park does not only serve various demographics and their multifaceted, often leisurely needs, but is also a unique exemplar reflecting municipal efforts toward wiser and more widely beneficial applications of waste and natural resources.



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