



Global Green Growth Institute

The Council

Written Procedure

May 22, 2018

Decision on the FY2017 Audited Financial Statements

The Council,

Recalling Articles 2 and 4 of the Agreement on the Establishment of the Global Green Growth Institute, regarding the objectives and activities of the organization;

Acting pursuant to Article 8(5)(d) of the Agreement on the Establishment of the Global Green Growth Institute, regarding the approval by the Council of audited financial statements;
and,

Taking note of the recommendation of the Management and Program Sub-Committee that the Council approve the FY2017 audited financial statements;

1. *Approves* the FY2017 audited financial statements, as attached in annex 1;
and,

2. *Takes note* of the management letter and presentation of audit results submitted by the external auditing firm, as attached in annex 2 and annex 3, respectively.

Consistent with GGGI's Disclosure Policy [C/5/DC/2], this document will be disclosed on the GGGI Website upon its approval by the Council, and its classification will be changed from "For Official Use" to "General Distribution".

GLOBAL GREEN GROWTH INSTITUTE

Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors
Global Green Growth Institute:

Report on the Financial Statements

We have audited the accompanying statements of financial position of Global Green Growth Institute ("GGGI") as of December 31, 2017 and 2016, the statements of comprehensive income (loss), changes in reserves and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

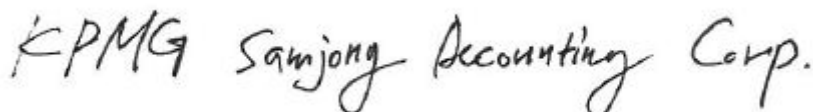
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GGGI as of December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "KPMG Samjong Accounting Corp." in a cursive, flowing script.

Seoul, Korea
March 29, 2018

This report is effective as of March 29, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Global Green Growth Institute
Statements of Financial Position

As of December 31, 2017 and 2016

(In USD)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Assets			
Cash and cash equivalents	4,5	\$ 13,799,259	24,812,574
Short-term financial assets	5	19,319,836	24,978,107
Other receivables	5	1,380	5,601
Accrued income	5	753,442	153,265
Other current assets	9	4,124,906	2,565,161
Total current assets		<u>37,998,823</u>	<u>52,514,708</u>
Property and equipment, net	6	411,389	504,301
Intangible assets	7	1,423,940	1,244,860
Long-term financial assets	5	780,606	660,018
Total non-current assets		<u>2,615,935</u>	<u>2,409,179</u>
Total assets		<u>\$ 40,614,758</u>	<u>54,923,887</u>
Liabilities			
Other payables	5	4,816,350	5,935,996
Deferred income		4,486,595	4,156,155
Total current liabilities		<u>9,302,945</u>	<u>10,092,151</u>
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>9,302,945</u>	<u>10,092,151</u>
Reserves			
Working capital	10	10,000,000	10,000,000
Retained surplus		21,311,813	34,831,736
Total reserves		<u>31,311,813</u>	<u>44,831,736</u>
Total liabilities and reserves		<u>\$ 40,614,758</u>	<u>54,923,887</u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Comprehensive Income (Loss)

For the years ended December 31, 2017 and 2016

<i>(In USD)</i>	<u>Note</u>	<u>2017</u>	<u>2016</u>
Operating income			
Core funds	11	\$ 23,159,073	42,723,184
Earmarked funds	11	<u>6,864,453</u>	<u>8,955,436</u>
Total operating income		30,023,526	51,678,620
Operating expenditures			
	12	<u>44,117,107</u>	<u>40,986,575</u>
Net surplus (deficit) from operating activities		<u>(14,093,581)</u>	<u>10,692,045</u>
Finance income	5,13	514,080	651,181
Finance costs	5,13	(129,752)	(396,640)
Other gain, net	14	<u>189,330</u>	<u>93,004</u>
Total surplus (deficit) for the year		<u>\$ (13,519,923)</u>	<u>11,039,590</u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Changes in Reserves

For the years ended December 31, 2017 and 2016

<i>(In USD)</i>	<u>Working Capital</u>	<u>Retained surplus</u>	<u>Total reserves</u>
Balance at January 1, 2016	\$ 5,000,000	28,792,146	33,792,146
Net surplus for the year	-	11,039,590	11,039,590
Total surplus	-	11,039,590	11,039,590
Working capital transfer	5,000,000	(5,000,000)	-
Balance at December 31, 2016	\$ <u>10,000,000</u>	<u>34,831,736</u>	<u>44,831,736</u>
Balance at January 1, 2017	\$ 10,000,000	34,831,736	44,831,736
Net deficit for the year	-	(13,519,923)	(13,519,923)
Total deficit	-	(13,519,923)	(13,519,923)
Balance at December 31, 2017	\$ <u><u>10,000,000</u></u>	<u><u>21,311,813</u></u>	<u><u>31,311,813</u></u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(In USD)

	2017	2016
Cash flows from operating activities		
Net surplus (deficit) for the year	\$ (13,519,923)	11,039,590
Adjustments for:		
Rental expenses	21,741	32,437
Depreciation	422,603	541,025
Amortization	878,739	768,755
Bad debt expense	-	268
Impairment of property and equipment	781	3,958
Finance expenses	43,673	329,296
Finance income	(479,915)	(615,333)
Gains on disposal of property and equipment	(2,073)	-
Changes in assets and liabilities:		
Other receivables	4,221	(5,869)
Accrued income	(435,741)	13,620
Other current assets	(1,581,285)	(221,975)
Other payables	(1,127,771)	1,247,083
Deferred income	330,440	(3,840,318)
Other current liabilities	-	(4,760,096)
Interest received	162,801	41,673
Net cash provided by (used in) operating activities	(15,281,709)	4,574,114
Cash flows from investing activities		
Increase in short-term financial instruments	-	(7,918,514)
Increase in leasehold deposits	(15,507)	(24,273)
Acquisition of property and equipment	(330,917)	(146,108)
Acquisition of intangible assets	(1,057,819)	(640,623)
Decrease of short-term financial instruments	5,666,736	-
Disposal of property and equipment	2,518	-
Decrease in leasehold deposits	-	2,452
Net cash provided by (used in) investing activities	4,265,011	(8,727,066)
Cash flows from financing activities	-	-
Effects of exchange rate changes on cash and cash equivalents	3,383	67,331
Net decrease in cash and cash equivalents	(11,013,315)	(4,085,621)
Cash and cash equivalents at beginning	24,812,574	28,898,195
Cash and cash equivalents at end of year	\$ 13,799,259	24,812,574

See accompanying notes to the financial statements.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

1. Reporting Entity

Established as an international intergovernmental organization in 2012 at the Rio+20 United Nations Conference on Sustainable Development, the Global Green Growth Institute (GGGI) is dedicated to supporting and promoting strong, inclusive and sustainable economic growth in developing countries and emerging economies. GGGI member countries currently include Australia, Cambodia, Costa Rica, Denmark, Ethiopia, Fiji, Guyana, Hungary, Indonesia, Jordan, Kiribati, Laos, Mexico, Mongolia, Norway, Papua New Guinea, Peru, Philippines, Qatar, Republic of Korea, Rwanda, Senegal, Thailand, United Arab Emirates, the United Kingdom, Vanuatu and Vietnam, and it is in the process of expanding its membership. GGGI works with partners in the public and private sector in developing and emerging countries around the world to put green growth at the heart of economic planning. GGGI has its headquarters in Seoul, Republic of Korea, and conducts operations in several countries in Asia, the Pacific, Latin America, the Middle East and Sub-Saharan Africa.

2. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis

(c) Functional and presentation currencies

These financial statements are presented in US dollar, which is GGGI's functional currency of the primary economic environment in which GGGI operates.

(d) Use of estimates and judgments

The preparation of the financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note.

Note 6 – Property and Equipment

GGGI reviews the estimated useful lives of property and equipment at the end of each annual reporting period. Management's assumptions could affect the determination of estimated useful lives.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

3. Significant Accounting Policies

The significant accounting policies applied by GGGI in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by GGGI in management of its short-term commitments.

(b) Non-derivative financial assets

GGGI classifies the non-derivative financial assets which are fixed or determinable payments that are not quoted in an active market as loans and receivables. GGGI recognizes financial assets in the statement of financial position when GGGI becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, transaction costs that are directly attributable to the asset's acquisition or issuance.

GGGI derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by GGGI is recognized as a separate asset or liability.

If GGGI retains substantially all the risks and rewards of ownership of the transferred financial assets, GGGI continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position only when GGGI currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

In addition, for an investment in a security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(d) Impairment of financial assets, continued

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. GGGI can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(e) Property and equipment

Property and equipment are measured initially at cost and after initial recognition. The cost of property and equipment includes expenditure arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which they are located.

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to GGGI and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current period are as follows:

	<u>Useful lives (in months)</u>
Office equipment	36 ~ 60
Leasehold improvement	24
Vehicle	60

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(f) Intangible assets

Intangible assets consist of purchased software licenses, software and any development cost for the software. Intangible assets are amortized on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is assumed to be zero.

The estimated useful lives for the current period are same as the useful lives of IT equipment.

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. Changes are accounted for as changes in accounting estimates.

(g) Impairment of non-financial assets

GGGI reviews at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

GGGI estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then GGGI estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Non-derivative financial liabilities

GGGI recognizes financial liabilities in the statement of financial position when GGGI becomes a party to the contractual provisions of the financial liability.

At the date of initial recognition, financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

GGGI derecognizes a financial liability from the statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(i) Employee benefits

For defined contribution plans, when an employee has rendered service to GGGI during a period, GGGI recognizes the contribution payable to a defined contribution plan in exchange for that service as an accrued expense, after deducting any contributions already paid. If the contributions already paid exceed the contribution due for service before the end of the reporting period, GGGI recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(j) Foreign currency translation

Foreign currency transactions are initially recorded using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period are recognized in profit or loss in the period in which they arise.

(k) Operating income recognition

(i) Core funds (Un-earmarked funds)

Core funds are funds available for general use by GGGI, and include all core contributions and all other funds provided that are not earmarked funds. All core funds are credited to the General Fund. With regards to core funds, GGGI recognizes an asset (cash) and operating income when GGGI receive the contribution to be provided.

(ii) Earmarked funds

Earmarked funds are funds contributed to GGGI to finance specific activities that are identified in the agreement between GGGI and the donor. Earmarked funds can only be used for the purposes for which they are intended as set out in the respective donor agreement or as otherwise specifically agreed to by the donor.

For earmarked funds, GGGI recognizes an asset (cash or receivables) and liability (deferred income) on receipt of the firm commitment of the contribution to be provided (unless the agreement specifies a later contribution start date). The liability is reduced and operating income is recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the surveys of work performed. However, when the outcome of the transaction involving the rendering of services cannot be estimated reliably, operating income shall be recognized only to the extent of the expenses recognized that are recoverable.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(l) Finance income and finance costs

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(m) Financial risk management

Financial risk factors

GGGI is exposed to a variety of financial risks derived from events in the external financial markets: market risk (including changes in currency exchange rates); liquidity risk; and interest rate risk. GGGI seeks to actively minimize potential adverse effects arising from these exposures.

The Director General has overall responsibility to maintain a risk-management system to manage and control financial and other types of risks including the identification, evaluation, and measurement of possible impact on GGGI, and the selection and maintenance of various solutions to mitigate risks.

(i) Market risk

- Currency risk
Currency risk primarily arises on voluntary contributions receivable in currencies other than United States Dollar. The main currencies giving rise to foreign currency risk are the Euro, Pound Sterling, Norwegian Kroner and Danish Kroner. At present, to minimize the foreign exchange exposure, GGGI converts its contributions receivable in other currencies immediately to USD upon the receipt of contribution.
- Interest rate risk
There is no significant short-term exposure to changes in interest rates, as cash and cash equivalents are held as cash in hand and there are no interest-bearing liabilities.

(ii) Liquidity risk

Liquidity risk is minimized by maintaining sufficient funds as cash in hand to meet short-term liabilities.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(n) New Standards or Amendments Not Yet Adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for GGGI for annual periods beginning on or after January 1, 2018, and GGGI has not early adopted them.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaces existing guidance and introduces a new model for revenue recognition that is based on the transfer of control. This may affect the timing and amount of revenue that entities will recognize under IFRS 15 compared with current practice. For some entities, there may be little change. However, arriving at this conclusion will require an understanding of the new model and an analysis of how it is applied to particular transactions.

GGGI will apply this standard for the annual reporting period beginning on January 1, 2018, and elects to recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

Under IFRS 15, an entity discloses more information about its contracts with customers than is currently required under IAS 18 'Revenue' and IAS 11 'Construction Contracts', including more disaggregated information about revenue and more information about its performance obligations remaining at the reporting date.

IFRS 15 is applicable to all contracts with customers but a contract with a customer may be partially within the scope of IFRS 15 and partially within the scope of other IFRS standards. IFRS 15 indicates that if the other standards specify how to separate and/or initially measure one or more parts of the contract, then an entity shall first apply the separation and/or measurement requirements in those standards. GGGI's revenue are mainly from the grants provided by governments, government agencies and similar bodies and therefore GGGI will initially apply IAS 20 'Government Grants' in assessing the recognition and measurement of grants received. As a result, GGGI does not expect the potential financial impact from the adoption of the new revenue standard to be significant. GGGI will continue to assess the impact from applying IFRS 15 for agreements with non-governmental entities.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement.'

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively. However, GGGI has elected to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement including impairment changes. GGGI elects to recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(n) New standards or amendments not yet adopted, continued

(i) Classification – Financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

GGGI had loans and receivables of USD 20,855,264 at December 31, 2017. Under IFRS 9, GGGI does not believe that this classification will have a significant impact on its financial statements.

Under IFRS 9, the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of change in the fair value is presented in profit or loss. The amounts recognized in OCI will never be reclassified to profit or loss. If the treatment of the effects of changes in the liability's credit risk described above would create or enlarge an accounting mismatch in profit or loss, an entity shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

GGGI had financial liabilities measured at amortized cost of USD 4,816,350 as of December 31, 2017. Under IFRS 9, GGGI does not believe that this classification will have a significant impact on its financial statements.

(ii) Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component

GGGI expects to apply the simplified approach as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets with a significant financing component and it is applied prospectively. Based on assessment of its loss allowance, GGGI does not believe that the new requirements will have a significant impact on its financial statements.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

4. Cash and Cash Equivalents

(a) Cash and cash equivalents as of December 31, 2017 and 2016 are summarized as follows:

<i>(In USD)</i>		2017	2016
		<hr/>	<hr/>
Cash in banks	\$	13,796,955	24,809,510
Cash on hand		<u>2,304</u>	<u>3,064</u>
	\$	<u><u>13,799,259</u></u>	<u><u>24,812,574</u></u>

(b) Cash and cash equivalents denominated in foreign currencies as of December 31, 2017 and 2016 are as follows:

(In USD, except for other foreign currency)

Foreign currency	2017		2016	
	Foreign currency amount	Translation into USD	Foreign currency amount	Translation into USD
AED	94,624	\$ 25,765	163,384	\$ 44,473
EUR	393,272	471,156	141,638	148,565
KRW	185,559,612	174,033	49,970,046	41,349
IDR	131,259,980	9,691	64,203,155	4,764
ETB	120,389	4,426	35,400	1,554
GBP	4,505	6,078	12,396	15,174
KHR	5,200	1	6,400	2
PHP	269	5	732	15
XOF	135,290	247	1,500	2
VDN	4,662,000	206	10,733,000	467
RWF	6,541,807	<u>7,800</u>	4,103,260	<u>4,869</u>
		\$ <u><u>699,408</u></u>		\$ <u><u>261,233</u></u>

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

4. Cash and Cash Equivalents, Continued

(c) Currency exchange rates as of December 31, 2017 and 2016 are as follows:

<i>(In USD)</i>		December 31, 2017	December 31, 2016
Currency		Ending exchange rate	Ending exchange rate
AED	\$	0.272	0.272
EUR		1.198	1.049
KRW		0.001	0.001
IDR		0.0000738	0.0000742
ETB		0.037	0.044
GBP		1.349	1.224
KHR		0.0002	0.0002
PHP		0.020	0.020
XOF		0.002	0.002
VDN		0.00004	0.00004
RWF		0.001	0.001

Global Green Growth Institute
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For the years ended December 31, 2017 and 2016

5. Financial Instruments

(a) Categories of financial assets as of December 31, 2017 and 2016 are summarized as follows:

<i>(In USD)</i>	2017		2016	
	Cash and cash equivalents	Loans and receivables	Cash and cash equivalents	Loans and receivables
Current financial assets				
Cash and cash equivalents	\$ 13,799,259	-	24,812,574	-
Short-term financial instruments	-	19,251,778	-	24,918,514
Other receivables	-	1,380	-	5,601
Current portion of leasehold deposits	-	68,058	-	59,593
Accrued income (*)	-	753,442	-	153,265
Sub-total	\$ 13,799,259	20,074,658	24,812,574	25,136,973
Non-current financial assets				
Leasehold deposits	\$ -	780,606	-	660,018
	\$ 13,799,259	20,855,264	24,812,574	25,796,991

(*) Accrued income represents unrealized interest on cash and cash equivalents invested in accordance with the investment framework of GGGI as at the reporting date.

(b) Categories of financial liabilities as of December 31, 2017 and 2016 are summarized as follows:

<i>(In USD)</i>	2017		2016	
	Financial liabilities measured at amortized cost		Financial liabilities measured at amortized cost	
Current financial liabilities				
Other payables (*)	\$	4,816,350		5,935,996

(*) Other payables represent amounts due to donors, vendors, employees and others for support and/or services received prior to year-end, but not paid for as at the reporting date. This includes accruals for employee severance benefits of USD 108,339 succeeded from the former K-GGGI (Korean Organization), payables to employees and consultants of USD 1,522,791 (which includes repatriation accrual related to International staff amounting to USD 556,197 and leave accrual USD 536,089) and payables to suppliers of USD 3,185,220 as at December, 31, 2017.

Global Green Growth Institute
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For the years ended December 31, 2017 and 2016

5. Financial Instruments, Continued

(c) Finance income and costs by categories

(i) Details of finance income by categories for the year ended December 31, 2017 are summarized as follows:

<i>(In USD)</i>	Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Interest income	\$ 162,801	186,177	-	348,978
Gain on foreign currency transactions	34,165	-	-	34,165
Gain on foreign currency translations	<u>33,564</u>	<u>92,180</u>	<u>5,193</u>	<u>130,937</u>
	<u>\$ 230,530</u>	<u>278,357</u>	<u>5,193</u>	<u>514,080</u>

(ii) Details of finance income by categories for the year ended December 31, 2016 are summarized as follows:

<i>(In USD)</i>	Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Interest income	\$ 41,673	185,702	-	227,375
Gain on foreign currency transactions	35,848	-	-	35,848
Gain on foreign currency translations	<u>373,707</u>	<u>17</u>	<u>14,234</u>	<u>387,958</u>
	<u>\$ 451,228</u>	<u>185,719</u>	<u>14,234</u>	<u>651,181</u>

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For the years ended December 31, 2017 and 2016

5. Financial Instruments, Continued

(c) Finance income by categories, continued

(iii) Details of finance costs by categories for the year ended December 31, 2017 are summarized as follows:

<i>(In USD)</i>	Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Loss on foreign currency transactions	\$ -	-	86,079	86,079
Loss on foreign currency translations	30,181	174	13,318	43,673
	<u>\$ 30,181</u>	<u>174</u>	<u>99,397</u>	<u>129,752</u>

(iv) Details of finance costs by categories for the year ended December 31, 2016 are summarized as follows:

<i>(In USD)</i>	Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Loss on foreign currency transactions	\$ -	-	67,344	67,344
Loss on foreign currency translations	306,376	22,112	808	329,296
	<u>\$ 306,376</u>	<u>22,112</u>	<u>68,152</u>	<u>396,640</u>

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For the years ended December 31, 2017 and 2016

5. Financial Instruments, Continued

(d) The carrying amount and the fair value of financial instruments as of December 31, 2017 and 2016 are summarized as follows:

<i>(In USD)</i>	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	\$ 13,799,259	13,799,259	24,812,574	24,812,574
Short-term financial instruments	19,251,778	19,251,778	24,918,514	24,918,514
Other receivables	1,380	1,380	5,601	5,601
Leasehold deposits	848,664	848,664	719,611	719,611
Accrued income	753,442	753,442	153,265	153,265
Total financial assets	\$ 34,654,523	34,654,523	50,609,565	50,609,565
Financial liabilities				
Other payables	\$ 4,816,350	4,816,350	5,935,996	5,935,996

The fair value information is not included for financial assets and financial liabilities carried at amortized cost as the book value approximates their fair value.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

6. Property and Equipment

(a) Details of property and equipment as of December 31, 2017 and 2016 are as follows:

(i) December 31, 2017

<i>(In USD)</i>	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
Office equipment (*)	\$ 1,811,188	(1,515,798)	295,390
Leasehold improvements	1,918,778	(1,808,028)	110,750
Vehicle	84,846	(79,597)	5,249
	<u>\$ 3,814,812</u>	<u>(3,403,423)</u>	<u>411,389</u>

(ii) December 31, 2016

<i>(In USD)</i>	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
Office equipment (*)	\$ 1,638,359	(1,178,513)	459,846
Leasehold improvements	1,786,163	(1,759,673)	26,490
Vehicle	84,846	(66,881)	17,965
	<u>\$ 3,509,368</u>	<u>(3,005,067)</u>	<u>504,301</u>

(*) Office equipment includes IT equipment and office furniture.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

6. Property and Equipment, Continued

(b) Changes in property and equipment for the years ended December 31, 2017 and 2016 are summarized as follows:

(i) December 31, 2017

<i>(In USD)</i>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Vehicle</u>	<u>Total</u>
Cost:				
Balance at January 1, 2017	\$ 1,638,359	1,786,163	84,846	3,509,368
Additions	198,302	132,615	-	330,917
Disposal	(15,825)	-	-	(15,825)
Retirement (*)	(9,648)	-	-	(9,648)
Balance at December 31, 2017	\$ <u>1,811,188</u>	<u>1,918,778</u>	<u>84,846</u>	<u>3,814,812</u>
Accumulated depreciation:				
Balance at January 1, 2017	\$ 1,178,513	1,759,673	66,881	3,005,067
Depreciation	361,532	48,355	12,716	422,603
Disposal	(15,380)	-	-	(15,380)
Retirement (*)	(8,867)	-	-	(8,867)
Balance at December 31, 2017	\$ <u>1,515,798</u>	<u>1,808,028</u>	<u>79,597</u>	<u>3,403,423</u>
Carrying amount:				
Balance at January 1, 2017	\$ <u>459,846</u>	<u>26,490</u>	<u>17,965</u>	<u>504,301</u>
Balance at December 31, 2017	\$ <u>295,390</u>	<u>110,750</u>	<u>5,249</u>	<u>411,389</u>

(*) GGGI recorded USD 781 as impairment loss on property and equipment as of December 31, 2017.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

6. Property and Equipment, Continued

(b) Changes in property and equipment for the years ended December 31, 2017 and 2016 are summarized as follows, continued:

(ii) December 31, 2016

<i>(In USD)</i>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Vehicle</u>	<u>Total</u>
Cost:				
Balance at January 1, 2016	\$ 2,147,367	1,740,751	84,846	3,972,964
Additions	100,696	45,412	-	146,108
Retirement (*)	(609,704)	-	-	(609,704)
Balance at December 31, 2016	<u>\$ 1,638,359</u>	<u>1,786,163</u>	<u>84,846</u>	<u>3,509,368</u>
Accumulated depreciation:				
Balance at January 1, 2016	\$ 1,279,125	1,740,751	49,912	3,069,788
Depreciation	505,134	18,922	16,969	541,025
Retirement (*)	(605,746)	-	-	(605,746)
Balance at December 31, 2016	<u>\$ 1,178,513</u>	<u>1,759,673</u>	<u>66,881</u>	<u>3,005,067</u>
Carrying amount:				
Balance at January 1, 2016	<u>\$ 868,242</u>	<u>-</u>	<u>34,934</u>	<u>903,176</u>
Balance at December 31, 2016	<u>\$ 459,846</u>	<u>26,490</u>	<u>17,965</u>	<u>504,301</u>

(*) GGGI has written off office equipment with the purchase value of less than USD 1,001 and removed the items from the fixed asset register. GGGI recorded USD 3,958 as impairment loss on property and equipment as of December 31, 2016.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

7. Intangible Assets

(a) Details of intangible assets as of December 31, 2017 and 2016 are as follows:

(i) December 31, 2017

<i>(In USD)</i>	<u>Acquisition cost</u>	<u>Accumulated amortization</u>	<u>Carrying amount</u>
Software	\$ 3,729,569	(2,305,629)	1,423,940

(ii) December 31, 2016

<i>(In USD)</i>	<u>Acquisition cost</u>	<u>Accumulated amortization</u>	<u>Carrying amount</u>
Software	\$ 2,671,750	(1,426,890)	1,244,860

(b) Changes in intangible assets for the years ended December 31, 2017 and 2016 are summarized as follows:

(i) December 31, 2017

<i>(In USD)</i>	<u>Software</u>	<u>Total</u>
Cost:		
Balance at January 1, 2017	\$ 2,671,750	2,671,750
Additions	1,057,819	1,057,819
Balance at December 31, 2017	<u>\$ 3,729,569</u>	<u>3,729,569</u>
Accumulated amortization:		
Balance at January 1, 2017	\$ 1,426,890	1,426,890
Amortization	878,739	878,739
Balance at December 31, 2017	<u>\$ 2,305,629</u>	<u>2,305,629</u>
Carrying amount:		
Balance at January 1, 2017	<u>\$ 1,244,860</u>	<u>1,244,860</u>
Balance at December 31, 2017	<u>\$ 1,423,940</u>	<u>1,423,940</u>

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

7. Intangible Assets, Continued

(b) Changes in intangible assets for the years ended December 31, 2017 and 2016 are summarized as follows, continued:

(ii) December 31, 2016

(In USD)

	<u>Software</u>	<u>Total</u>
Cost:		
Balance at January 1, 2016	\$ 2,056,188	2,056,188
Additions	640,623	640,623
Retirement (*)	(25,061)	(25,061)
Balance at December 31, 2016	<u>\$ 2,671,750</u>	<u>2,671,750</u>
Accumulated amortization:		
Balance at January 1, 2016	\$ 683,196	683,196
Amortization	768,755	768,755
Retirement (*)	(25,061)	(25,061)
Balance at December 31, 2016	<u>\$ 1,426,890</u>	<u>1,426,890</u>
Carrying amount:		
Balance at January 1, 2016	<u>\$ 1,372,992</u>	<u>1,372,992</u>
Balance at December 31, 2016	<u>\$ 1,244,860</u>	<u>1,244,860</u>

(*) GGGI has written off software with the purchase value of less than USD 1,001 and removed the items from the asset register. These items were also fully depreciated as of December 31, 2016.

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Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

8. Employee Benefits

GGGI provides defined contribution plans for certain eligible employees and pension funds that amount to 12 percent of each eligible employee’s monthly base salary. The post-employment benefits are paid to employees from the pension deposit.

GGGI’s contribution related to defined contribution plans in 2017 and 2016 are as follows.

<i>(In USD)</i>	<u>2017</u>	<u>2016</u>
Expense related to post-employment benefit under defined contribution plan	\$ 1,162,353	1,141,468

9. Other Current Assets

Other current assets as of December 31, 2017 and 2016 are summarized as follows:

<i>(In USD)</i>	<u>2017</u>	<u>2016</u>
Advance payments	\$ 284,934	36,480
Prepaid expenses (*)	<u>3,839,972</u>	<u>2,528,681</u>
	<u>\$ 4,124,906</u>	<u>2,565,161</u>

(*) The amount includes the pre-payment for UNOPS contract for personnel expenses of USD 2,902,257 and prepaid housing for staff of USD 571,078 as well as advance payments to suppliers of USD 366,637 based on GGGI policies and regulations.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

10. Reserves

Details of reserves as of December 31, 2017 and 2016 are as follows:

<i>(In USD)</i>	<u>2017</u>	<u>2016</u>
Working capital	\$ 10,000,000	10,000,000
Retained surplus	<u>21,311,813</u>	<u>34,831,736</u>
	<u>\$ 31,311,813</u>	<u>44,831,736</u>

11. Operating Income

(a) Operating income for the years ended December 31, 2017 and 2016 are as follows:

<i>(In USD)</i>	<u>2017</u>	<u>2016</u>
Core funds	\$ 23,159,073	42,723,184
Earmarked funds	<u>6,864,453</u>	<u>8,955,436</u>
	<u>\$ 30,023,526</u>	<u>51,678,620</u>

(b) Details of operating income of core funds for the years ended December 31, 2017 and 2016 are as follows:

<i>(In USD)</i>	<u>2017</u>	<u>2016</u>
The Government of Australia (DFAT)	\$ 2,999,995	4,759,107
The Government of Denmark	3,148,565	4,437,158
The Ministry of Foreign Affairs of the Republic of Korea	10,000,000	10,000,000
The State of Qatar	-	4,999,980
The Norwegian Agency for Development Cooperation (NORAD)	1,963,949	1,997,005
The Government of the United Kingdom (DFID) (*1)	-	6,029,939
The Government of Indonesia	5,000,000	9,999,995
The Ministry of Environment and Natural Resources of the United Mexican States	-	500,000
European Bank for Reconstruction and Development (EBRD) (*2)	<u>46,564</u>	<u>-</u>
Total Core Fund Revenue	<u>\$ 23,159,073</u>	<u>42,723,184</u>

(*1) In February 2018, GGGI and the Department of International Development (“DFID”) have signed the core funding agreement for Phase II. DFID’s contributions will be in accordance with the disbursement schedule in the agreement.

(*2) This is the residual fund from earmarked funding which GGGI recognized as core funding based on agreement with EBRD.

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For the years ended December 31, 2017 and 2016

11. Operating Income, Continued

(c) Details of operating income of earmarked funds for the years ended December 31, 2017 and 2016 are as follows:

<i>(In USD)</i>	Grant Period		Total Pledged in Local Currency	Operating Income	
	Start	End		2017	2016
Swiss Agency for Development and Cooperation (SDC)	July-14	June-16	USD 1,000,000	\$ -	511,986
The United Arab Emirates Ministry of Foreign Affairs (*3)	March-11	March-19	USD 18,028,359	1,815,397	2,036,096
The Norwegian Ministry of Foreign Affairs - 'Country Program for Ethiopia 2013-2015'	Jan-13	Dec-16	NOK 45,828,000	-	2,277,707
The Norwegian Ministry of Foreign Affairs - 'Indonesia Country Program 2012-2014'	Oct-12	Dec-15	NOK 56,597,500	-	12,628
The Norwegian Ministry of Foreign Affairs - 'Indonesia Country Program 2016-2019'	Jan-16	Dec-19	NOK 178,000,000	3,974,337	2,453,829
The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)	Sep-11	June-17	EUR 4,987,287	1,170	1,024,678
Government of the Federal Republic of Germany (BMZ) Capacity Development for S-S Collaboration (KOICA)	Nov-14	Jan-18	EUR 450,000	298,060	10,138
Green Climate Fund(GreenWin) for Global Climate Forum	June-15	June-16	USD 700,000	-	374,931
Hungary for the Balkan Nationally Determined Contribution Trust Fund Project	Sep-15	Aug-18	EUR 98,875	28,149	36,585
Global Climate Forum - Readiness Vanuatu (*4)	May-17	Oct-18	HUF 80,000,000	72,946	-
Green Climate Fund -Readiness Mongolia	April-17	May-18	USD 370,000	126,606	-
The Norwegian Ministry of Foreign Affairs - 'Colombia Country Program 2017-2019'	Sep-17	Sep-18	USD 350,000	50,193	-
The Ministry for the Environment, Land and Sea of the Republic of Italy (IMELS) - 'Ethiopia Country Program 2017-2018'	Aug-17	July-19	NOK 27,103,000	327,074	-
	Sep-17	Sep-18	EUR 100,000	7,648	-
Sub-total Earmarked Revenue				\$ 6,701,580	8,738,578

Global Green Growth Institute
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For the years ended December 31, 2017 and 2016

11. Operating Income, Continued

(c) Details of operating income of earmarked funds for the years ended December 31, 2017 and 2016 are as follows, continued:

<i>(In USD)</i>	Grant Period		Total Pledged in Local Currency	Operating Income	
	Start	End		2017	2016
Partnership Agreement Green Technology Center (GTC)- Latin American Regional Forum in Mexico	Sep-17	Dec-17	KRW 25,000,000	\$ 23,213	-
Partnership Agreement GGGW 2017 – GTC-K	Oct-17	Dec-17	KRW 56,900,000	50,526	-
Hanwha Q CELLS- Energy Forum in Seoul	Oct-17	April-18	KRW 35,000,000	21,934	-
Hanwha Q CELLS-GGGI Event in Davos for 2017	Nov-16	May-17	USD 70,000	67,200	-
Hanwha Q CELLS– GGGI Event in Davos for 2016	Dec-15	June-16	USD 70,000	-	58,524
Partnership Agreement GGGW 2016 – GTC-K	Sep-16	Nov-16	KRW 50,000,000	-	44,875
Partnership Agreement GGGW 2016 – Hanwha Q CELLS	Feb-16	Feb-17	USD 50,001	-	50,001
Partnership Agreement GGGW 2016 – ASEIC	Sep-16	Nov-16	KRW 5,000,000	-	4,488
Partnership Agreement GGGW 2016 – EWP	Sep-16	Nov-16	KRW 5,000,000	-	4,526
Partnership Agreement GGGW 2016 – KOICA	Sep-16	Oct-16	USD 30,000	-	30,000
Partnership Agreement GGGW 2016 – KEPCO	Aug-16	Nov-16	KRW 5,000,000	-	4,444
Partnership Agreement GGGW 2016 – KEI	Aug-16	Nov-16	USD 20,000	-	20,000
Sub-total Partnership Agreements				\$ <u>162,873</u>	<u>216,858</u>
Total Earmarked Revenue				\$ <u>6,864,453</u>	<u>8,955,436</u>

(*3) The UAE funding pledge is based on yearly or biennium work program and budget approval at Council/Assembly.

(*4) Request for “no-cost” extension of six months up to May 2018 was submitted to GCF in September 2017.

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For the years ended December 31, 2017 and 2016

11. Operating income, Continued

(d) Major in-kind contributions provided to GGGI are as follows:

Based on the Framework of Cooperation signed on December 4, 2013 between GGGI, the Incheon Metropolitan City and the Incheon Free Economic Zone Authority, the Incheon City and Incheon Free Economic Zone provided GGGI an office space on the 23rd floor of the G-tower.

Based on the Letter from the Department of Trade & Industry (“DTI”) of Philippines, DTI provided GGGI an office space on 3rd floor of UPRC Building.

Based on the Letter from the Ministry of Environment and Tourism (“MET”) of Mongolia, MET provided GGGI an office space on 1st floor of Mongol Us Building.

12. Operating Expenditures

(a) Details of operating expenditures for the years ended December 31, 2017 and 2016 are as follows:

<i>(In USD)</i>	2017	2016
Salaries and wages	\$ 18,786,099	13,299,531
Allowances (home, education, relocation and others)	4,851,582	4,271,477
Employee benefits	1,162,353	1,141,468
Welfares	1,453,369	1,117,338
Outsourcing cost	8,314,486	11,913,583
Travel expense	3,152,869	2,437,143
Rental expenses	1,971,787	1,930,650
Transportation	22,276	13,148
Commissions	94,797	95,792
Professional fees	178,139	284,413
Depreciation	422,603	541,025
Amortization	878,739	768,755
Training expenses	328,367	203,034
Communication expenses	387,230	324,748
Repairs and maintenance expenses	289,128	238,887
Publication expenses	186,319	308,625
Conference expenses	942,963	1,577,222
Supply expenses	380,762	260,540
Others	313,239	259,196
	<u>\$ 44,117,107</u>	<u>40,986,575</u>

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For the years ended December 31, 2017 and 2016

12. Operating Expenditures, Continued

(b) Details of operating expenditures by nature for the years ended December 31, 2017 and 2016 are as follows:

<i>(In USD)</i>	Core		Earmarked		Total	
	2017	2016	2017	2016	2017	2016
Salaries and wages	\$ 16,338,213	11,008,909	2,447,886	2,290,623	18,786,099	13,299,531
Allowances (home, education, relocation and others)	4,514,838	3,599,380	336,744	672,097	4,851,582	4,271,477
Employee benefits	1,115,581	1,002,483	46,772	138,985	1,162,353	1,141,468
Welfares	1,262,208	927,214	191,161	190,124	1,453,369	1,117,338
Outsourcing cost	6,688,866	8,844,926	1,625,620	3,068,658	8,314,486	11,913,583
Travel expense	2,496,816	2,028,173	656,053	408,970	3,152,869	2,437,143
Rental expenses	1,580,558	1,434,621	391,229	496,028	1,971,787	1,930,650
Transportation	17,443	10,487	4,833	2,661	22,276	13,148
Commissions	74,765	66,418	20,032	29,374	94,797	95,792
Professional fees	132,104	177,483	46,035	106,930	178,139	284,413
Depreciation	380,596	480,996	42,007	60,030	422,603	541,025
Amortization	878,739	768,755	-	-	878,739	768,755
Training expenses	303,251	167,169	25,116	35,866	328,367	203,034
Communication expenses	356,372	279,670	30,858	45,077	387,230	324,748
Repairs and maintenance expenses	282,831	233,236	6,297	5,650	289,128	238,887
Publication expenses	151,601	226,158	34,718	82,467	186,319	308,625
Conference expenses	671,315	1,028,139	271,648	549,083	942,963	1,577,222
Supply expenses	330,428	126,725	50,334	133,815	380,762	260,540
Others	265,427	215,492	47,812	43,705	313,239	259,196
Overhead	(586,046)	(575,269)	586,046	575,269	-	-
	<u>\$ 37,255,906</u>	<u>32,051,166</u>	<u>6,861,201</u>	<u>8,935,410</u>	<u>44,117,107</u>	<u>40,986,575</u>

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For the years ended December 31, 2017 and 2016

12. Operating Expenditures, Continued

(c) Details of operating expenditures by country for the years ended December 31, 2017 and 2016 are as follows:

<i>(In USD)</i>	2017	2016
Global Programmatic (*1)	\$ 8,325,102	12,626,920
United Arab Emirates	1,485,088	1,379,955
China	575,376	509,710
Colombia	1,039,695	518,883
Costa Rica	104,176	-
Ethiopia	1,447,748	2,281,064
Fiji	708,714	360,658
United Kingdom	106,038	146,666
Kiribati	179,709	-
Hungary	73,004	-
Indonesia	3,967,299	2,455,819
India	197,193	463,927
Jordan	676,656	641,202
Cambodia	1,171,336	892,638
Lao People's Democratic Republic	657,177	-
Morocco	333,379	206,843
Mongolia	957,090	933,898
Mexico	471,027	568,715
Myanmar	498,753	-
Mozambique	537,190	-
Nepal	606,437	136,590
Pacific Region	68,951	-
Peru	755,959	700,900
Philippines	1,915,743	1,857,730
Rwanda	1,663,244	868,133
Senegal	1,064,753	470,556
Thailand	410,898	434,612
Uganda	1,055,343	442,837
Vietnam	994,350	740,534
Vanuatu	828,364	331,600
Non-Programmatic : Management and Administration and Corporate Shared Cost (*2)	5,993,956	5,877,147
Non-Programmatic : Office of Director General (*2)	3,787,559	3,988,421
Non-Programmatic : Capital (*2)	1,459,800	1,150,617
	<u>\$ 44,117,107</u>	<u>40,986,575</u>

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

12. Operating Expenditures, Continued

(c) Details of operating expenditures by country for the years ended December 31, 2017 and 2016 are as follows, continued:

(*1) Global Programmatic includes the work of the Investment and Policy Solutions (“IPSD”), Green Growth Planning & Implementation (“GGP&I”), Strategy, Policy & Communications (“SPC”) and Impact & Evaluation Unit (“IEU”) performed widely across GGGI for supporting GGP&I through the development of service offerings and delivery of these through global programs.

(*2) The non-programmatic includes the work of the Office of the Director General (“ODG”), Operations Enabling Division (“OED”) and Capital Projects, which guides, supports and enables the work of the programmatic divisions across GGGI.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

12. Operating Expenditures, Continued

(d) Details of operating expenditures of earmarked projects by donor for the years ended December 31, 2017 and 2016 are as follows:

<i>(In USD)</i>	Grant Period		Total Pledged in Local Currency	Operating Expenditures	
	Start	End		2017	2016
Swiss Agency for Development and Cooperation (SDC)	July-14	June-16	USD 1,000,000	\$ -	510,862
The United Arab Emirates Ministry of Foreign Affairs	March-11	March-19	USD 18,028,359	1,818,467	2,031,922
The Norwegian Ministry of Foreign Affairs					
- 'Country Program for Ethiopia 2013-2015'	Jan-13	Dec-16	NOK 45,828,000	-	2,281,064
The Norwegian Ministry of Foreign Affairs					
- 'Indonesia Country Program 2012-2014'	Oct-12	Dec-15	NOK 56,597,500	-	2,455,819
The Norwegian Ministry of Foreign Affairs					
- 'Indonesia Country Program 2016-2019'	Jan-16	Dec-19	NOK 178,000,000	3,967,298	-
The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)	Sep-11	June-17	EUR 4,987,287	1,195	1,016,027
Government of the Federal Republic of Germany (BMZ)	Nov-14	Jan-18	EUR 450,000	298,049	11,379
Capacity Development for S-S Collaboration (KOICA)	June-15	June-16	USD 700,000	-	375,790
Green Climate Fund(GreenWin) for Global Climate Forum	Sep-15	Aug-18	EUR 98,875	28,158	36,534
Hungary for the Balkan Nationally Determined Contribution Trust Fund Project	May-17	Oct-18	HUF 80,000,000	73,003	-
Global Climate Forum					
- Readiness Vanuatu	April-17	May-18	USD 370,000	126,666	-
Green Climate Fund					
-Readiness Mongolia	Sep-17	Sep-18	USD 350,000	50,220	-
The Norwegian Ministry of Foreign Affairs					
- 'Colombia Country Program 2017-2019'	Aug-17	July-19	NOK 27,103,000	327,741	-
The Ministry for the Environment, Land and Sea of the Republic of Italy (IMELS)					
-'Ethiopia Country Program 2017-2018'	Sep-17	Sep-18	EUR 100,000	7,648	-
Sub-total Earmarked Expenditures				\$ 6,698,445	8,719,397

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

12. Operating Expenditures, Continued

(d) Details of operating expenditures of earmarked projects by donor for the years ended December 31, 2017 and 2016 are as follows, continued:

<i>(In USD)</i>	Grant Period		Total Pledged in Local Currency	Operating Expenditures	
	Start	End		2017	2016
Partnership Agreement Green Technology Center (GTC)- Latin American Regional Forum in Mexico	Sep-17	Dec-17	KRW 25,000,000	\$ 23,213	-
Partnership Agreement GGGW 2017 – GTC-K	Oct-17	Dec-17	KRW 56,900,000	50,551	-
Hanwha Q CELLS- Energy Forum in Seoul	Oct-17	April-18	KRW 35,000,000	21,791	-
Hanwha Q CELLS-GGGI Event in Davos for 2017	Nov-16	May-17	USD 70,000	67,201	-
Hanwha Q CELLS- GGGI Event in Davos for 2016	Dec-15	June-16	USD 70,000	-	57,783
Partnership Agreement GGGW 2016 – GTC-K	Sep-16	Nov-16	KRW 50,000,000	-	44,771
Partnership Agreement GGGW 2016 – Hanwha Q CELLS	Feb-16	Feb-17	USD 50,001	-	50,001
Partnership Agreement GGGW 2016 – ASEIC	Sep-16	Nov-16	KRW 5,000,000	-	4,488
Partnership Agreement GGGW 2016 – EWP	Sep-16	Nov-16	KRW 5,000,000	-	4,526
Partnership Agreement GGGW 2016 – KOICA	Sep-16	Oct-16	USD 30,000	-	30,000
Partnership Agreement GGGW 2016 – KEPCO	Aug-16	Nov-16	KRW 5,000,000	-	4,444
Partnership Agreement GGGW 2016 – KEI	Aug-16	Nov-16	USD 20,000	-	20,000
Sub-total Partnership Agreements				\$ <u>162,756</u>	<u>216,013</u>
Total Earmarked Expenditure				\$ <u>6,861,201</u>	<u>8,935,410</u>

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

13. Finance Income and Finance Costs

(a) Details of finance income for the years ended December 31, 2017 and 2016 are summarized as follows:

<i>(In USD)</i>	<u>2017</u>	<u>2016</u>
Interest income	\$ 348,978	227,375
Gain on foreign currency transactions	34,165	35,848
Gain on foreign currency translations	<u>130,937</u>	<u>387,958</u>
	<u>\$ 514,080</u>	<u>651,181</u>

(b) Details of finance costs for the years ended December 31, 2017 and 2016 are summarized as follows:

<i>(In USD)</i>	<u>2017</u>	<u>2016</u>
Loss on foreign currency transactions	\$ 86,079	67,344
Loss on foreign currency translations	<u>43,673</u>	<u>329,296</u>
	<u>\$ 129,752</u>	<u>396,640</u>

14. Other Gain (Loss)

Details of other gain (loss) for the years ended December 31, 2017 and 2016 are summarized as follows:

<i>(In USD)</i>	<u>2017</u>	<u>2016</u>
Other gain		
Sales on assets	\$ 2,074	-
Miscellaneous income (*1)	<u>188,729</u>	<u>96,962</u>
	<u>190,803</u>	<u>96,962</u>
Other loss		
Impairment loss on PPE	(781)	(3,958)
Miscellaneous expense	<u>(692)</u>	<u>-</u>
	<u>(1,473)</u>	<u>(3,958)</u>
	<u>\$ 189,330</u>	<u>93,004</u>

(*1) Miscellaneous income comprises of tax refunds and funds received for GGGI seconded staff to GCF.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

15. Related Parties

(a) Governing Bodies

GGGI is governed by the Assembly, consisting of 27 member countries, which is responsible for electing Members to the Council, appointing the Director-General, considering and adopting amendments to the Establishment Agreement, advising on the overall direction of GGGI's work, reviewing progress in meeting GGGI's objectives, receiving reports from the Secretariat on strategic, operational and financial matters, and providing guidance on cooperative partnerships and linkages with other international bodies.

The Council is the executive board of GGGI and consists of no more than seventeen members, of which five are from contributing members and elected by the Assembly, five are from participating members and elected by the Assembly, five are experts or non-state actors appointed by the Council, the host country which holds a permanent seat on the Council, and the Director-General without voting right Members of the Council serve for two year terms.

The Council is responsible for directing the activities of GGGI, under guidance of the Assembly. This includes nominating a Director-General for appointment by the Assembly, approving GGGI's strategy, annual work program and budget and reviewing the results, monitoring and evaluation framework, approving audited financial statements, approving the admission of new members to the Advisory Committee, approving the criteria for country program selection, approving the membership of the sub-committees of the Council and any other functions delegated by the Assembly.

(b) Key Management Compensation

Key management personnel of GGGI are the Director-General, the Deputy Director-General, and two Assistant Director-Generals as they have the authority and responsibility for planning, directing and controlling the activities of GGGI.

Key management compensation comprised the following:

(In USD)

	2017	2016
Salaries and bonus	\$ 1,054,349	952,198
Allowance	276,648	494,417
Employee benefits	107,413	106,413
	<u>\$ 1,438,410</u>	<u>1,553,028</u>

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March 21, 2018

Management and Program Sub-Committee
Global Green Growth Institute
19F Jeongdong Bldg, 15-5 Jeongdong, Jung-gu, Seoul

Ladies and Gentlemen:

We have completed our audit of the financial statements of Global Green Growth Institute (“GGGI”), as of and for the year ended December 31, 2017, in accordance with International Standards of Auditing (ISAs). As part of our audit, we considered GGGI’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of GGGI’s internal control. Our assessment was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Accordingly, we do not express an opinion on the effectiveness of GGGI’s internal control.

We are presenting you with our management letter providing our observations and findings on the following items as indicated in the audit engagement letter dated September 8, 2017 and identified the following areas as to test GGGI’s compliance with internal regulations and policies:

- As part of our audit of the financial statements, we evaluate the design and implementation of controls over journal entries as well as obtain an understanding of the activities for the preparation of financial statements.
- For the purpose of providing this management letter regarding the assessment of the internal control systems and their adequacy as a basis for the preparation of the accounts and to establish whether proper accounting records have been maintained, we have included the following areas to provide our observations and findings:
 - Finance Regulations
 - Finance Policies and Procedures Manual
- Assessment of the administrative guidelines prepared and provided by GGGI and internal procedures are adhered to:
 - Finance Policies and Procedures Manual
 - Individual Consultants Policies and Procedures
 - Disbursements – Travel and Outsourcing expenses



Management and Program Sub-Committee
Global Green Growth Institute
March 21, 2018
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- Assessment of the adequacy of the systems of control over procurement of supplies, equipment and services, hereunder verify whether guidelines regarding procurement are followed under the condition that GGGI shall provide proper procurement documents to KPMG. This assessment will be performed by testing related documents based on sample basis.
 - Procurement
- Follow-up on previous audit and review recommendations
- Management comments/response to audit findings and recommendations

Our observation and findings of the above areas are as follows:

Fixed Assets and Intangible Assets

To test the procedures and policies related to Fixed Asset and Intangible Assets, we conducted interviews with the ICT & Facilities and Finance department and reviewed the related documentation. According to the policy, ICT & Facilities department and the Finance department are to conduct physical count of the assets on a semi-annual basis to ensure completeness and existence of the assets listed in the system.

Observation

Based on interviews, we did not note any exceptions. We noted that GGGI, including the 21 country offices, performed the physical counts of all assets in July and December 2017, on a semi-annual basis in compliance with the Finance Policies and Procedural Manual, 4.6.1 Physical Count with the supervision of ICT & Facilities department. We also noted that the asset reports from country offices have been signed-off as per the Delegation of Authority, submitted by the offices with approvals from the respective Country Representatives, reviewed by ICT & Facilities department manager, approved by Head of Corporate Services and reported to the Deputy Director-General for approval, and any other asset findings or discrepancies have been reflected in the final asset report and delivered to the Finance Department for final imputation in the ERP.

Revenue and Receivables

To test the policies and procedures related to Contributions, we interviewed the Finance department and obtained the list of contributions received during the year to select samples for testing. We reviewed the November and December report on Contributions which are prepared by the Finance department on a monthly basis.

Observation

Based on our sample test, we did not note any exceptions. We noted that the initial agreement is reviewed by the Legal department and reported to the Deputy Director-General for approval. The monthly report prepared by the Finance department is shared with the Division Heads for their review.



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Global Green Growth Institute
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Financial Reporting and Closing Activities

We have reviewed the closing activities during the course of our audit of the financial statements and conducted interviews with the relevant officers and staffs in-charge of each significant accounts. We also referred to the Finance Policies as a basis for the closing guidelines of GGGI.

Observation

Based on the procedures performed, we found no material exceptions. We found the sufficient explanations and evidences on the documentation given to us regarding the each subsection of the closing activities.

Bank Transactions

To test the procedures and policies related to bank transactions including Bank openings/closures, Bank reconciliation, Petty cash and Credit card usage, we interviewed with the Finance and Treasury department and reviewed the related documentation. We tested all bank reconciliation performed in December to test compliance with the GGGI's finance policy, and obtained the related documentation.

Observation

Based on the procedures performed, we found no material exceptions. We found the sufficient explanations and evidences on the documentation given to us regarding the each subsection of the bank transaction.

Individual consultants

To test the policies and procedures related to individual consultants, we interviewed the Procurement department and obtained the list of currently active consultants to select samples for testing.

Observation

Based on our interview with Procurement department, we found that the hiring process is in compliance with the internal policy and the contracted individual consultants are compensated based on the guideline presented in the regulation. To corroborate the information obtained from the interview, we selected 10 individual consultants to vouch the supporting documentations and found no exceptions.

Disbursements – Travel and Outsourcing expenses

To review the disbursement policies and procedures we selected the Travel and Outsourcing accounts as the population to select samples for testing. Travel includes transportation, accommodation and per-diem costs incurred by the employees and Outsourcing includes costs incurred for consulting projects and individual consultants. Samples were selected using specific item test method. We selected 25 journal entries from the general ledger and vouched supporting documentations to test compliance with the disbursement regulations.

Observation

We did not note any exceptions as a result from our testing procedures.



Management and Program Sub-Committee
Global Green Growth Institute
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Procurement

To test the procurement procedures and policies, we interviewed the Procurement department and also obtained the procurement list during 2017 to select samples as part of our testing. We selected 31 samples, including total 4 transaction from contract value between USD 100,001 and USD 200,000 and total 8 transactions from contract value of more than USD 200,000), and inspected written procurement request to check whether the procurements are related to the GGGI's projects, and also vouched supporting documents such as contracts signed as per the Delegation of Authority, evaluations conducted by procurement committee and other documents related to procurements.

KPMG reviewed procurements that had been designated as samples and carried out in accordance with the Procurement Rule of GGGI.

Observation

Based on our interview and sample tests, we found that the procurement process is in compliance with the Procurement rules. The contracted procurements are compensated based on the guideline presented in the rule. We did not note any exceptions as a result from our testing procedures.

We also noted that in 2017 procurement process under \$10,000 was delegated to all country offices i.e. as of April 2016. Last quarter of 2017 is when GGGI started the testing and training for Indonesia and Rwanda for the payment process of the same value. In January 2018, GGGI rolled out the pilot for the two countries to pay all invoices to vendors only below \$10,000. After this pilot GGGI might scale it up to other countries who have bank accounts.

This communication is intended solely for the information and use of management and the Management and Program Sub-Committee, and is not intended to be and should not be used by anyone other than these specified parties.

We express our appreciation to the officers and employees of the Company for the courtesy and assistance given to us during our audit. Should you have any question regarding the matters presented herein, we shall be pleased to discuss them with you.

Very truly yours,

KPMG Samjong Accounting Corp.

Global Green Growth Institute

FY2017 Audit

KPMG Samjong Accounting Corp.

March 2018

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- VI. Material Communications between KPMG and management
- VII. Independence
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I. Audit Scope Overview

Scope of work

- Audit of the financial statements for the year end December 31, 2017

Applicable standards

- International Financial Reporting Standards
- International Standards on Auditing

Other terms of engagement

- Issuance of Management Letter

I. Audit Scope Overview, continued

Scope	GGGI Policies	Procedures
Assessment of the internal control systems and their adequacy as a basis for the preparation of the accounts and to establish whether proper accounting records have been maintained	<i>Finance Regulations</i> <i>Finance Policies and Procedures Manual</i>	As part of our audit of the financial statements, we have evaluated the design and implementation of controls over journal entries as well as obtained an understanding of the activities for the preparation of financial statements.
Assessment of the administrative guidelines prepared and provided by GGGI and internal procedures are adhered to	<i>Individual Consultants Policies and Procedures</i> <i>Disbursements – Travel and Outsourcing expenses</i> <i>Delegation of Authority Manual</i>	We have performed testing procedures on related documents selected on a sample basis.
Assessment of the adequacy of the systems of control over procurement of supplies, equipment and services, hereunder verify whether guidelines regarding procurement are followed under the condition that GGGI shall provide proper procurement documents to KPMG.	<i>Procurement</i>	We have performed testing procedures on related documents selected on a sample basis.
Follow-up on previous audit and review recommendations		There were no recommendations provided in 2016.

II. Audit Timeline and Deliverables

Audit Report	<ul style="list-style-type: none">● Audit fieldwork:<ul style="list-style-type: none">- Interim audit: November 28 to 30, 2017- Year-end audit: February 20 to 28, 2018● Draft audit report<ul style="list-style-type: none">- Deliver draft by March 19, 2018● Final audit report<ul style="list-style-type: none">- Deliver final hard copies by March 29, 2018
Management Letter	<ul style="list-style-type: none">● Conduct testing in conjunction with the financial statement audit● Draft management letter<ul style="list-style-type: none">- Deliver draft by March 19, 2018● Receive comments from management by March 20, 2018● Final management letter<ul style="list-style-type: none">- Deliver final letter by March 29, 2018

III. Significant Findings from the Audit – Significant Audit Areas

Based on our understanding of the entity’s business, industry and environment (including internal controls), we have identified the following risks that may result in a material misstatement (error) in the financial statements. We have planned and performed audit procedures in response to such risks:

Significant audit area	Audit procedures	Results
Revenue recognition	<ul style="list-style-type: none"> • Reviewed related documents (e.g. agreements with donors etc.) • Conducted interviews with relevant personnel to understand basis of transactions • Vouched supporting documents to verify compliance with GGGI’s revenue recognition policy 	Based on procedures performed, we did not note any significant exceptions.
Accounting for in-kind contributions received from donors - Revenue and expenses (footnote disclosures)	<ul style="list-style-type: none"> • Reviewed related documents (e.g. agreements with donors etc.) • Conducted interviews with relevant personnel to understand basis of transactions 	Based on procedures performed, we did not note any significant exceptions.

III. Significant Findings from the Audit - Other

Communication matters	Description
Related Party Transactions	None
Litigations, Claims, and Assessments	None
Illegal Acts or Fraud	None
Non-compliance with Laws and Regulations	None
Significant Difficulties Encountered During the Audit	None
Disagreements with Management	None
Other Findings or Issues Relevant Regarding Oversight of the Financial Reporting Process	None
Significant control deficiencies	None
Uncorrected audit misstatements	None

IV. Other matters - Management Letter

Scope	GGGI Policies
<ul style="list-style-type: none">Assessment of the internal control systems and their adequacy as a basis for the preparation of the accounts and to establish whether proper accounting records have been maintained	Finance Regulations Finance Policies and Procedures Manual
<ul style="list-style-type: none">Assessment of the administrative guidelines prepared and provided by GGGI and internal procedures are adhered to	Individual Consultants Policies and Procedures Disbursements – Travel and Outsourcing expenses Delegation of Authority Manual
<ul style="list-style-type: none">Assessment of the adequacy of the systems of control over procurement of supplies, equipment and services, hereunder verify whether guidelines regarding procurement are followed under the condition that GGGI shall provide proper procurement documents to KPMG.	Procurement
<ul style="list-style-type: none">Follow-up on previous audit and review recommendations	

V. Fraud Risks

Fraud Risks	Impact on Financial Statements	Planned Audit Approach	Findings
Risk of Management Override of Controls	Persuasive	<ul style="list-style-type: none"> • Audit of significant accounting estimates • Testing of journal entries and adjustments at period-end and throughout the fiscal year 	No matters to report
Presumed fraud risk in revenue recognition	Completeness and existence of Revenue and related expenses Accuracy of deferred income	<ul style="list-style-type: none"> • Review of revenue recognition • Vouch supporting documentation over receipts of funds and disbursement of expense (sample base) • Journal entry test work 	No matters to report

VI. Material Communications between KPMG and Management

- There were no material communications between KPMG and management other than the written representations provided by management.
- Management representation letter(s) including representations required by the International Standards on Auditing.

VII. Independence

- KPMG did not perform any non-audit services or other relationships that may reasonably be brought to bear on independence.
- In our professional judgment, we are independent with respect to Global Green Growth Institute., as that term is defined by Act on External Audits of Corporations and in the IESBA Code of Ethics for Professional Accountants.

VIII. Other Audit Services

Indonesia Program	GCF Readiness and Preparatory Support Grant
<ul style="list-style-type: none">▪ Norwegian Ministry of Foreign Affairs▪ International Standards on Auditing (ISA 805)▪ 2017 Financial Report▪ Last audit performed in March 2018 (in progress)	<ul style="list-style-type: none">▪ Green Climate Fund ("GCF")▪ International Standards on Auditing (ISA 805)▪ 2017 Financial Report▪ Audit performed in March 2018 (in progress)

IX. New Pronouncements

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces existing guidance and introduces a new model for revenue recognition that is based on the transfer of control. This may affect the timing and amount of revenue that entities will recognize under IFRS 15 compared with current practice. For some entities, there may be little change. However, arriving at this conclusion will require an understanding of the new model and an analysis of how it is applied to particular transactions.

Under IFRS 15, an entity discloses more information about its contracts with customers than is currently required under IAS 18 *Revenue* and IAS 11 *Construction Contracts*, including more disaggregated information about revenue and more information about its performance obligations remaining at the reporting date.

All entities will be subject to the new disclosure requirements, which apply regardless of IFRS 15's impact on the revenue line.

The standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

IX. New Pronouncements, continued

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

IX. New Pronouncements, continued

IFRS 9 Financial Instruments, continued

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.



Thank you

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