Global Green Growth Institute

Global Green Growth Institute
Council of the GGGI
Written Procedure
28 April 2015

Decision on the FY2014 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 of the Council that the Council approve the FY2014 audited financial statements;

1. *Approves* the FY2014 audited financial statements, as attached in annex 1; and,

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

GLOBAL GREEN GROWTH INSTITUTE

Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

Contents

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, 2014 and 2013, 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, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG Samjong Accounting Corp.

Seoul, Korea
April 9, 2015

This report is effective as of April 9, 2015, 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, 2014 and 2013

(In USD)	*Note*		2014	2013
Assets				
Cash and cash equivalents	*4,5*	$	21,801,922	14,822,853
Short-term financial assets	*5*		-	439,923
Other receivables	*5*		9,497	67,000
Accrued income	*5*		-	85,600
Other current assets	*9*		641,571	316,165
Total current assets			22,452,990	15,731,541
Property and equipment, net	*6*		1,152,722	451,315
Intangible assets	*7*		793,683	135,621
Long-term financial assets	*5*		693,607	117,401
Total non-current assets			2,640,012	704,337
Total assets			25,093,002	16,435,878
Liabilities				
Other payables	*5*		2,948,131	3,914,991
Deferred income			5,696,599	4,559,086
Other current liabilities	*9*		-	114,408
Total current liabilities			8,644,730	8,588,485
Total non-current liabilities			-	-
Total liabilities			8,644,730	8,588,485
Reserves				
Retained surplus			16,448,272	7,847,393
Total reserves			16,448,272	7,847,393
Total liabilities and reserves		$	25,093,002	16,435,878

See accompanying notes to the financial statements.

Global Green Growth Institute

Statements of Comprehensive Income (Loss)

For the years ended December 31, 2014 and 2013

(In USD)	***Note***		**2014**	**2013**
Operating income				
Core funds	*10*	$	30,305,919	25,078,995
Earmarked funds	*10*		10,395,748	6,467,087
Others	*10*		29,340	-
Total operating income			40,731,007	31,546,082
Operating expenditures	*11*		32,254,898	32,503,730
Net surplus(deficit) from operating activities			8,476,109	(957,648)
Finance income	*5,12*		199,139	268,298
Finance costs	*5,12*		(256,387)	(255,618)
Other gain (loss)	*13*		182,018	(1,907,524)
Net surplus(deficit) for the year			8,600,879	(2,852,492)
Other income (loss)			-	-
Total net surplus(deficit) for the year		$	8,600,879	(2,852,492)

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Changes in Reserves

For the years ended December 31, 2014 and 2013

(In USD)		Retained surplus	Total reserves
Balance at January 1, 2013	$	10,699,885	10,699,885
Net deficit for the year		(2,852,492)	(2,852,492)
Total deficit		(2,852,492)	(2,852,492)
Balance at December 31, 2013	$	7,847,393	7,847,393
Balance at January 1, 2014	$	7,847,393	7,847,393
Net surplus for the year		8,600,879	8,600,879
Total surplus		8,600,879	8,600,879
Balance at December 31, 2014	$	16,448,272	16,448,272

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(In USD)		2014	2013
Cash flows from operating activities			
Net surplus(deficit) for the year	$	8,600,879	(2,852,492)
Adjustments for:			
Rental expenses		35,098	25,172
Depreciation		307,764	294,026
Amortization		174,664	64,408
Impairment of PPE		2,093	-
Finance expenses		141,328	82,931
Finance income		(111,585)	(70,739)
Other		1,100	-
Changes in assets and liabilities:			
Other receivables		57,503	(58,803)
Accrued income		85,600	598,799
Other current assets		(360,504)	(202,916)
Other payables		(966,860)	603,974
Deferred income		1,137,513	2,280,414
Other current liabilities		(114,408)	18,581
Interest received		3,588	37,277
Net cash provided by operating activities		8,993,773	820,632
Cash flows from investing activities			
Decrease in short-term financial instruments		-	700,215
Decrease in leasehold deposits		150,748	209,716
Acquisition of property and equipment		(1,012,364)	(180,610)
Acquisition of intangible assets		(832,726)	(86,338)
Increase in leasehold deposits		(287,031)	(226,958)
Net cash provided by (used in) investing activities		(1,981,373)	416,025
Cash flows from financing activities		-	-
Effects of exchange rate changes on cash and cash equivalents		(33,331)	(79,477)
Net increase in cash and cash equivalents		6,979,069	1,157,180
Cash and cash equivalents at beginning		14,822,853	13,665,673
Cash and cash equivalents at end of year	$	21,801,922	14,822,853

See accompanying notes to the financial statements.

For the years ended December 31, 2014 and 2013

1. Reporting Entity

Global Green Growth Institute ("GGGI") was founded on October 18, 2012 based on "Agreement on the Establishment of the Global Green Growth Institute", dedicated to the promotion of economic growth and development while reducing carbon emissions, increasing sustainability, and strengthening climate resilience (i.e. green growth). The Korean National Assembly ratified "Agreement on the Establishment of the Global Green Growth Institute" on November 22, 2012 and has entrusted an instrument of ratification on November 29, 2012. GGGI, which is headquartered in Seoul, Korea, has satellite offices in Abu Dhabi, London, Copenhagen and conducts in-country operations in several countries.

The rights, obligations, undertaking, existing regional offices, assets and liabilities of GGGI (Korean Organization) devolved to GGGI (International Organization) without consideration per "Agreement on the Establishment of the Global Green Growth Institute" on December 29, 2012.

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.

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.

For the years ended December 31, 2014 and 2013

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:

	Useful lives (in months)
Office equipment	60
IT equipment	36
Furniture and Fixtures	60
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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(f) Intangible assets

Intangible assets consist of purchased software licenses. 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 are reviewed 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.

For the years ended December 31, 2014 and 2013

3. Significant Accounting Policies, Continued

(h) Non-derivative financial liabilities, continued

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).

(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 (Unearmarked funds)

Core funds are funds by GGGI with no consideration provided directly in return to the donor. These resources are available for general use by GGGI.

With regards to core funds, GGGI recognizes an asset (cash or receivable) and operating income at the earlier of cash received or formal acknowledgement/agreement of the contribution to be provided (unless the agreement specifies a later contribution start date).

(ii) Earmarked funds

These funds are subject to a specific purpose declared by the donor(s), or with their authority. The funds can only be used for purposes for which they are intended as per the donor agreements.

For earmarked funds, GGGI recognizes an asset (cash or receivable) and liability (deferred income) at the earlier of cash received or formal acknowledgement/agreement 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.

For the years ended December 31, 2014 and 2013

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.

4. Cash and Cash Equivalents

(a) Cash and cash equivalents as of December 31, 2014 and 2013 are summarized as follows:

(In USD)		2014	2013
Cash in banks	$	21,801,922	14,822,853

(b) Cash and cash equivalents denominated in foreign currencies as of December 31, 2014 and 2013 are as follows:

(In USD, except for other foreign currency)

	2014			2013		
Foreign currency	**Foreign currency amount**		**Translation into USD**	**Foreign currency amount**		**Translation into USD**
AED	308,043	$	83,848	559,778	$	152,402
DKK	350		57	103,205		19,092
EUR	50,000		60,795	1,358,948		1,875,278
KRW	195,577,846		177,928	521,515,927		494,187
IDR	5,620,300		451	-		-
ETB	115,694		5,660	-		-
GBP	-		-	114,652		189,112
NOK	-		-	9,139,053		1,502,882
		$	328,739		$	4,232,953

(c) Currency exchange rates as of December 31, 2014 and 2013 are as follows:

(In USD)		December 31, 2014	December 31, 2013
Currency		**Ending exchange rate**	**Ending exchange rate**
AED	$	0.272	0.272
DKK		0.163	0.185
EUR		1.216	1.380
KRW		0.001	0.001
IDR		0.0000806	0.0000800
ETB		0.049	0.052
GBP		1.553	1.649
NOK		0.134	0.164

For the years ended December 31, 2014 and 2013

5. Financial Instruments

(a) Categories of financial assets as of December 31, 2014 and 2013 are summarized as follows:

		2014		2013	
(In USD)		Cash and cash equivalents	Loans and receivables	Cash and cash equivalents	Loans and receivables
Current financial assets					
Cash and cash equivalents	$	21,801,922	-	14,822,853	-
Leasehold deposits		-	-	-	439,923
Other receivables		-	9,497	-	67,000
Accrued income		-	-	-	85,600
Sub-total	$	21,801,922	9,497	14,822,853	592,523
Non-current financial assets					
Leasehold deposits	$	-	693,607	-	117,401
	$	21,801,922	703,104	14,822,853	709,924

(b) Categories of financial liabilities as of December 31, 2014 and 2013 are summarized as follows:

		2014	2013
(In USD)		Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost
Current financial liabilities			
Other payables (*)	$	2,948,131	3,914,991

(*) Other payable 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 reporting date.

The Korea Energy Management Corporation (KEMCO) returned USD 290,669(KRW 319,416,992), the unspent funds of GGGI's East Asia Climate Program (2010 – 2012) to GGGI in November 2014.
The unspent funds of USD 290,669 will be transferred to the Ministry of Foreign Affairs, Republic of Korea in 2015.

For the years ended December 31, 2014 and 2013

5. Financial Instruments, Continued

(c) Finance income by categories

(i) Details of finance income by categories for the year ended December 31, 2014 are summarized as follows:

(In USD)		Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Interest income	$	3,588	35,098	-	38,686
Gain on foreign currency transactions			15,135	72,419	87,554
Gain on foreign currency translations		67,889	2	5,008	72,899
	$	71,477	50,235	77,427	199,139

(ii) Details of finance income by categories for the year ended December 31, 2013 are summarized as follows:

(In USD)		Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Interest income	$	37,278	25,899	-	63,177
Gain on foreign currency transactions		-	197,559	-	197,559
Gain on foreign currency translations		90	-	7,472	7,562
	$	37,368	223,458	7,472	268,298

(iii) Details of finance costs by categories for the year ended December 31, 2014 are summarized as follows:

(In USD)		Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Loss on foreign currency transactions	$	-	2,022	113,037	115,059
Loss on foreign currency translations		102,729	33,383	5,216	141,328
	$	102,729	35,405	118,253	256,387

5. Financial Instruments, Continued

(c) Finance income by categories, continued

(iv) Details of finance costs by categories for the year ended December 31, 2013 are summarized as follows:

(In USD)		Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Loss on foreign currency transactions	$	-	1,817	170,870	172,687
Loss on foreign currency translations		79,567	3,364	-	82,931
	$	79,567	5,181	170,870	255,618

(d) The carrying amount and the fair value of financial instruments as of December 31, 2014 and 2013 are summarized as follows:

(In USD)		2014 Carrying amount	2014 Fair value	2013 Carrying amount	2013 Fair value
Financial assets					
Cash and cash equivalents	$	21,801,922	21,801,922	14,822,853	14,822,853
Leasehold deposits		693,607	693,607	557,324	557,324
Other receivables		9,497	9,497	67,000	67,000
Accrued income		-	-	85,600	85,600
Total financial assets	$	22,505,026	22,505,026	15,532,777	15,532,777
Financial liabilities					
Other payables	$	2,948,131	2,948,131	3,914,991	3,914,991

For the years ended December 31, 2014 and 2013

6. Property and Equipment

(a) Details of property and equipment as of December 31, 2014 and 2013 are as follows:

(i) December 31, 2014

(In USD)		Acquisition cost	Accumulated depreciation	Carrying amount
Office equipment	$	1,982,333	(881,515)	1,100,818
Leasehold improvements		1,740,751	(1,740,751)	-
Vehicle		84,846	(32,942)	51,904
	$	3,807,930	(2,655,208)	1,152,722

(ii) December 31, 2013

(In USD)		Acquisition cost	Accumulated depreciation	Carrying amount
Office equipment	$	973,359	(591,013)	382,346
Leasehold improvements		1,740,751	(1,740,655)	96
Vehicle		84,846	(15,973)	68,873
	$	2,798,956	(2,347,641)	451,315

(b) Changes in property and equipment for the years ended December 31, 2014 and 2013 are summarized as follows:

(i) December 31, 2014

(In USD)		January 1, 2014	Acquisition	Depreciation	Impairment	Other	December 31, 2014
Office equipment	$	382,346	1,012,364	(290,699)	(2,093)	(1,100)	1,100,818
Leasehold improvements		96	-	(96)	-	-	-
Vehicle		68,873	-	(16,969)	-	-	51,904
	$	451,315	1,012,364	(307,764)	(2,093)	(1,100)	1,152,722

For the years ended December 31, 2014 and 2013

6. Property and Equipment, Continued

(ii) December 31, 2013

(In USD)		January 1, 2013	Acquisition	Disposals	Depreciation	December 31, 2013
Office equipment	$	466,406	151,975	-	(236,035)	382,346
Leasehold improvements		46,368	-	-	(46,272)	96
Vehicle		51,957	28,635	-	(11,719)	68,873
	$	564,731	180,610	-	(294,026)	451,315

7. Intangible Assets

(a) Details of intangible assets as of December 31, 2014 and 2013 are as follows:

(i) December 31, 2014

(In USD)		Acquisition cost	Accumulated amortization	Carrying amount
Software	$	1,064,895	(271,212)	793,683

(ii) December 31, 2013

(In USD)		Acquisition cost	Accumulated amortization	Carrying amount
Software	$	232,169	(96,548)	135,621

(b) Changes in intangible assets for the years ended December 31, 2014 and 2013 are summarized as follows:

(i) December 31, 2014

(In USD)		January 1, 2014	Acquisition	Disposals	Amortization	December 31, 2014
Software	$	135,621	832,726	-	(174,664)	793,683

(ii) December 31, 2013

(In USD)		January 1, 2013	Acquisition	Disposals	Amortization	December 31, 2013
Software	$	113,691	86,338	-	(64,408)	135,621

For the years ended December 31, 2014 and 2013

8. Employee Benefits

Defined contribution plans

GGGI provides defined contribution plans for certain eligible employees. GGGI provides 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 for the years 2013 and 2014 are as follows.

(In USD)		2014	2013
Expense related to post-employment benefit under defined contribution plan	$	1,112,337	276,826

9. Other Current Assets and Other Current Liabilities

(a) Other current assets as of December 31, 2014 and 2013 are summarized as follows:

(In USD)		2014	2013
Advance payments	$	24,276	64,488
Prepaid expenses		617,295	251,677
	$	641,571	316,165

(b) Other current liabilities as of December 31, 2014 and 2013 are summarized as follows:

(In USD)		2014	2013
Withholdings	$	-	86,380
Others		-	28,028
	$	-	114,408

10. Operating Income

(a) Operating income for the years ended December 31, 2014 and 2013 are as follows:

(In USD)		2014	2013
Core funds	$	30,305,919	25,078,995
Earmarked funds		10,395,748	6,467,087
Others		29,340	-
	$	40,731,007	31,546,082

For the years ended December 31, 2014 and 2013

10. Operating Income, Continued

(b) Details of operating income for the years ended December 31, 2014 and 2013 are as follows:

(In USD)		2014	2013
Core funds (*1)			
The Government of Australia	$	5,000,000	4,873,995
The Government of Denmark		5,075,682	5,205,000
The Ministry of Foreign Affairs of The Republic of Korea		10,000,000	10,000,000
The State of Qatar		-	5,000,000
The Norwegian Agency for Development Cooperation (Norad) for 2013		5,000,000	-
The Norwegian Agency for Development Cooperation (Norad) for 2014		5,032,747	-
Incheon Metropolitan City (Korea)		197,490	-
Sub-total	$	30,305,919	25,078,995
Earmarked funds (*2)			
Swiss Agency for Development and Cooperation (SDC)		307,706	321,569
The United Arab Emirates Ministry of Foreign Affairs		2,724,732	758,169
The Norwegian Ministry of Foreign Affairs - 'Country Program for Ethiopia 2013~2015'		1,556,245	829,564
The Norwegian Ministry of Foreign Affairs - 'Indonesia Country Program 2012-2014'		3,133,708	1,517,435
European Bank for Reconstruction and Development		138,665	300,964
The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)		873,572	1,566,337
The Department for International Development (DFID -UK)		-	482,830
World Resources Institute - 'New Climate Economy Project'		1,121,666	214,620
Climate and Development Knowledge Network (CDKN)		111,576	385,038
European Climate Fund (ECF)		254,611	90,561
International Conference 2014 - ROK		36,177	-
International Conference 2014 - KOICA		45,500	-
International Conference 2014 - GTC-K		90,945	-
Government of the Federal Republic of Germany		645	-
Sub-total	$	10,395,748	6,467,087
Others (*3)			
Residual asset from K-GGGI	$	466,810	-
Swiss Agency for Development and Cooperation (SDC)		(437,470)	-
Sub-total	$	29,340	-
	$	40,731,007	31,546,082

10. Operating income, Continued

(*1) Core funds

(i) In 2014, The Government of Denmark approved a Danish grant at the amount of DKK 90,000,000 to GGGI during the period from 2014 to 2016. GGGI received the first installment of DKK 28,000,000 (to USD 5,075,682) in 2014. The second disbursement of DKK 29,000,000 and the final disbursement in the amount of DKK 29,000,000 will be disbursed in 2015 and in 2016 respectively. The government of Denmark agrees to contribute DKK 1,500,000 and DKK 2,500,000 for the purpose of strategy advisor and reviews and studies.

(ii) The Ministry of Foreign Affairs, the Republic of Korea provided the core funding of USD 10,000,000 to GGGI in 2014. The financial support of USD 5,000,000 was processed based on the Memorandum of Understanding on Cooperation between GGGI and MOFA of the Republic of Korea in 2013 and USD 5,000,000 based on the agreement on the Establishment of GGGI

(iii) Norwegian Ministry of Foreign Affairs ("NMFA") contributed USD 10,000,000 of core funding in 2014 based on the Multi-year core funding agreement 2013-2014 on Green growth cooperation between NMFA and GGGI. In addition, NMFA provided the financial support of USD 32,747 to GGGI for the second Internal Working Group Meeting

(iv) Based on the Framework of Cooperation signed on December 4, 2013 between GGGI, the Incheon Metropolitan City and 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. In June 2014, Incheon Metropolitan City contributed USD 200,000 to GGGI for the purpose of office equipment purchase for GGGI Songdo office.

(v) Australia Department of Foreign Affairs and Trade ("DFAT") provided a one year financial contribution of core (unrestricted) funding of USD 5,000,000 based on the funding agreement that GGGI and Australia Department of Foreign Affairs and Trade ("DFAT") signed in November 2014.

(vi) The Government of the United Kingdom of Great Britain and Northern Ireland acting through the Department of International Development ("DFID") has signed the MOU on core funding of GBP 14,762,000 for the year of 2014 to 2017 in November 2014

(*2) Earmarked funds

(i) In 2012, GGGI and Swiss Agency for Development and Cooperation ('SDC') signed an agreement for USD 875,000 to formalize a framework of cooperation during the period from October 1, 2012 to June 30, 2014. In 2014, GGGI and Swiss Agency for Development and Cooperation ('SDC') signed a separate agreement to formalize a framework of cooperation and to facilitate collaboration between the parties. SDC committed USD 1,000,000 to GGGI during the period from 1 July 2014 to June 30, 2016. GGGI recognized USD 307,706 as operating income from the earmarked fund in 2014.

(ii) The United Arab Emirates Ministry of Foreign Affairs ("UAE") and GGGI signed MOU in 2011. The objective of the MOU is to facilitate collaboration between UAE and GGGI to promote programs and joint activities in promoting green growth in UAE. Financial support to GGGI during the period from 2011 to 2013 in the amount of USD 5,000,000 per annum. The MOU was automatically renewed for the additional three years according to Article V.1 in the MOU and earmarked operating income of USD 2,724,732 was recognized in 2014.

For the years ended December 31, 2014 and 2013

10. Operating Income, Continued

(*2) Earmarked funds, continued

(iii) The Kingdom of Norway will contribute a total amount of up to NOK 45,828,000 related to 'Green Growth Institute Country Program for Ethiopia 2013~2015'. The first tranche amounting to USD 2,235,163 was disbursed in 2013 and USD 2,715,000 was disbursed in 2014. GGGI recognized USD 1,556,245 as operating income from the earmarked fund in 2014.

(iv) GGGI and European Bank for Reconstruction and Development have signed a contract related to establishing a National Green Growth Plan in Kazakhstan. This service is expected to be provided from July 2011 to December 2015. Total contract fee amounts to EUR 1,500,000 and GGGI received USD 185,228 and recognized USD 138,665 as operating income from the earmarked fund in 2014.

(v) In 2012, GGGI signed a service agreement related to 'Indonesia Country Program' with the Kingdom of Norway. The planned project period was from October 2012 to December 2014. Meanwhile, GGGI and the Kingdom of Norway has entered the cost extension of 3 month for this agreement until 31 March 2015. The contract amount in aggregate is NOK 36,597,000, and USD 3,120,269 was disbursed in 2014. GGGI recognized USD 3,133,708 as operating income from the earmarked fund in 2014.

(vi) On behalf of the New Climate Economy ('NCE') project, World Resources Institute ('WRI') offered a sub-agreement between the GGGI and WRI on October 2, 2013 to support the New Climate Economy project as it tests the positive impact of low carbon investment. The total amount of this sub-agreement is USD 1,399,005 and GGGI recognized USD 1,121,666 as operating income from the earmarked fund in 2014.

(vii) Climate & Development Knowledge Network and GGGI has signed a service agreement related to 'support for the Green Growth Best Practice Initiative –AAGL-0014' which amounts to EUR 424,000 for the period from November 2012 to February 2014 and GGGI recognized USD 111,576 as operating income from the earmarked fund in 2014.

(viii) The European Climate Foundation has approved a grant to GGGI in the amount of EUR 255,000 subject to the terms and conditions of the grant agreement from January 1, 2013 to May 31, 2014 and GGGI recognized USD 254,611 as operating income from the earmarked fund in 2014.

(ix) The Ministry of Strategy and Finance, Republic of Korea and Ministry of Environment, Republic of Korea have supported the GGGI International Conference – "The Nexus between the Creative Economy and Green Growth" held in November 2014 by making direct payment of KRW 20,000,000 respectively to subcontractors of GGGI. GGGI accordingly recognized earmarked operating income of USD 36,177.

(x) Korea International Cooperation Agency ("KOICA") and GGGI signed a MOU in 2014 for the GGGI International Conference - The Nexus between the Creative Economy and Green Growth. The contribution of KRW 50,000,000 received from KOICA and GGGI recognized USD 45,500 as earmarked operating income.

(xi) In 2014, Partnership agreement between GGGI and GTC-K was entered in to on October 24, to provide support to the GGGI International Conference - The Nexus between the Creative Economy and Green Growth. GTC-K provided an amount of KRW 100,000,000 and GGGI recognized USD 90,945 as operating income from the earmarked fund.

10. Operating Income, Continued

(*2) Earmarked funds, continued

(xii) The Government of the Federal Republic of Germany and GGGI have agreed to cooperate for the purpose of supporting the Green Invest (BMZ-No.2014.7932.8) project for which the Government is to grant an earmarked fund for this project. Total contract fee amounts to EUR 450,000.

(xiii) In February 2014, GGGI received USD 15,086 from DFID for the project of "Advancing the Climate Resilience Agenda in Ethiopia". DFID committed for an amount not exceeding GBP 900,000 and GGGI spent USD 1,363,574 in total for the project expenditure from February 2012 to March 2013.

(*3) Others

(i) As described in Note 14, upon the dissolution of K-GGGI, the assets of K-GGGI were transferred to GGGI on April 17, 2014

(ii) In 2012, GGGI and Swiss Agency for Development and Cooperation ("SDC") signed an agreement to formalize a framework of cooperation. SDC granted USD 875,000 to GGGI during the period from October 1, 2012 to June 30, 2014. In order to consistently recognize the contributions from SDC as the deferred income, core funds of USD 437,470 recognized in 2012 has been transferred into deferred income in 2014.

For the years ended December 31, 2014 and 2013

11. Operating Expenditures

Details of operating expenditures for the years ended December 31, 2014 and 2013 are as follows:

(In USD)		2014	2013
Salaries and wages	$	10,242,448	6,901,796
Allowances (home, education, relocation and others)		2,888,028	2,589,898
Employee benefits		1,112,337	276,826
Welfares		915,515	817,489
Outsourcing cost		10,461,032	13,378,092
Travel expense		1,687,789	3,018,226
Rental expenses		1,891,481	1,673,124
Transportation		16,573	22,433
Commissions		197,111	584,736
Professional fees		344,711	248,939
Depreciation		307,764	294,026
Amortization		174,664	64,408
Training expenses		49,672	108,395
Communication expenses		300,178	316,866
Repairs and maintenance expenses		166,087	28,090
Publication expenses		150,743	258,214
Conference expenses		542,149	1,462,600
Supply expenses		349,662	181,703
Others		456,954	277,869
	$	32,254,898	32,503,730

For the years ended December 31, 2014 and 2013

12. Finance Income and Finance Costs

(a) Details of finance income for the years ended December 31, 2014 and 2013 are summarized as follows:

(In USD)		2014	2013
Interest income	$	38,686	63,177
Gain on foreign currency transactions		87,554	197,559
Gain on foreign currency translations		72,899	7,562
	$	199,139	268,298

(b) Details of finance costs for the years ended December 31, 2014 and 2013 are summarized as follows:

(In USD)		2014	2013
Loss on foreign currency transactions	$	115,059	172,687
Loss on foreign currency translations		141,328	82,931
	$	256,387	255,618

13. Other Gain (Loss)

Details of other gain (loss) for the years ended December 31, 2014 and 2013 are summarized as follows:

(In USD)		2014	2013
Other gain			
Miscellaneous income	$	204,115	130,821
Other loss			
Impairment loss on PPE		(2,093)	-
EACP refund to KOICA(*)		-	(1,995,207)
Miscellaneous expenses		(20,004)	(43,138)
		(22,097)	(2,038,345)
	$	182,018	(1,907,524)

(*) The amount is the refund to KOICA based on the agreement between KOICA and GGGI to refund the remaining balance of contribution received from KOICA that has not been expensed during the last year.

For the years ended December 31, 2014 and 2013

14. Comprehensive Acquisition

The rights, obligations, undertaking, existing regional offices, assets and liabilities of K-GGGI (Korean Organization) devolved to GGGI (International Organization) without consideration in accordance with "Agreement on the Establishment of the Global Green Growth Institute" on December 29, 2012. However, K-GGGI (Korean Organization) is required to retain basic properties until K-GGGI (Korean Organization) is dissolved in accordance with Articles of Incorporation. Therefore, the basic properties amounting to KRW500,000,000 was devolved to GGGI (International Organization) upon K-GGGI (Korean Organization)'s dissolution in 2014

Transferred assets to GGGI (International Organization) at fair value as of on April 17, 2014 is as follows:

(In USD)		**Amount**
Assets		
Current assets	$	244,188
Non-current assets		222,622
	$	466,810

C/WRP/DC/14
Annex 2

SAMJONG

Global Green Growth Institute 2014 Audit Results

April 20, 2015

2014 Audit Results

1. Audit team
2. Audit scope overview
3. Audit timeline and deliverables
4. Significant findings from the audit
5. Other matters
6. Fraud risks
7. Material written communications between KPMG and management
8. Independence
9. Regulatory and Accounting update

1. Audit team

Engagement Audit Partner
Hwang, Jae Nam

Engagement Quality Control Reviewing Partner
Michael Power

Engagement Audit Manager
Lee, Hyun Kyung (Claire)

Incharge auditor
Hwang, Hyun Dong

Team Member
Hwang, Kyung Mo

Team Member
Park, Su Jeong

© 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

2. Audit scope overview

Scope of work	*Audit of the financial statements for the year end December 31, 2014*
Applicable financial reporting framework	*International Financial Reporting Standards*
Applicable auditing standards	*International Standards on Auditing*
Other terms of engagement	*Issuance of Management Letter covering the following items:* • 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 • Assessment of the administrative guidelines prepared and provided by GGGI and internal procedures are adhered to • 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. • Follow-up on previous audit and review recommendations • Management comments/response to audit findings and recommendations

KPMG SAMJONG © 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

2. 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	Finance Regulations Finance Policies and Procedures Manual	• As part of our audit of the financial statements, we will 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.
• 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 Interim Delegation of Authority Manual	• This assessment will be performed by testing related documents based on 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.	Procurement	• This assessment will be performed by testing related documents based on sample basis.
• Follow-up on previous audit and review recommendations		• During our assessment for FY2014, we will observe and verify whether the rec -ommendations provided in the previo us year has been reflected.

KPMG SAMJONG © 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

3. Audit timeline and deliverables

Audit Report	• Audit fieldwork: - Interim audit: December 10 to 12, 2014 - Year-end audit: February 9 to 13, 2015 • Draft audit report - Deliver draft by March 16, 2015 • Final audit report - Deliver final hard copies by April 10, 2015
Management Letter	• Conduct testing in conjunction with the financial statement audit • Draft management letter - Deliver draft by March 16, 2015 • Receive comments from management by March 31, 2015 • Final management letter - Deliver final letter by April 10, 2015

KPMG SAMJONG © 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

4. Significant findings from the audit – significant audit areas

Significant audit areas	Description	Results
Financial statement presentation	As IFRS is principle-based on focused more on profit-oriented organizations, significant management judgments are necessary in applying IFRS for a non-profit organization like GGGI.	Presentation of certain financial accounts has been revised to better reflect GGGI's operation as a non-profit organization.
Operating income recognition	Compared with profit organizations, transactions may not be complex but call for significant management judgment in analzing the donation and service agreements.	Based on our review of the related documents and interviews conducted with relevant personnel, we did not note any significant exceptions.

KPMG SAMJONG © 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

4. 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

KPMG SAMJONG © 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

5. Other matters – Management letter

Scope	GGGI Policies
• 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
• 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 Interim Delegation of Authority Manual
• 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
• Follow-up on previous audit and review recommendations	

In our management letter dated April 9, 2015, we have described the procedures performed over the above scope of work. We did not note any signficiant exceptions as a result of our procedures.

KPMG SAMJONG © 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

6. Fraud risks

Fraud Risks	Impact on Financial Statements	Planned Audit Approach	Findings
Presumed fraud risk in revenue recognition (operating income)	*Completeness and existence of Revenue and related expenses* *Accuracy of Deferred income*	• 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"
Risk of Management Override of Controls	All	• Audit of significant accounting estimates • Testing of journal entries and a djustments at period-end and throughout the fiscal year	"No matters to report"

KPMG SAMJONG © 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

7. Material communications between KPMG and management

- There were no material communicaitons between KPMG and management other than the written representations provided by management.
- Management representation letter includes respresentations required by the International Standards on Auditing.

KPMG SAMJONG © 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

8. 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*.

KPMG SAMJONG © 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

9. Regulatory and Accounting update

IAS 32, 'Financial Instruments: Presentation' (Amendment)

- The amendments clarified the application guidance related to 'offsetting a financial asset and a financial liability' and is effective from January 1, 2014.

IFRS 15, 'Revenue from Contracts with Customers'

- Effective for annual periods beginning on or after January 1, 2017
- The new standard provides application guidance on numerous related topics, including warranties and licenses. It also provides guidance on when to capitalize the costs of obtaining a contract and some costs of fulfilling a contract (specifically those that are not addressed in other relevant authoritative guidance – e.g. for inventory)
- For some entities, there may be little change in the timing and amount of revenue recognized. However, arriving at this conclusion will require an understanding of the new model and an analysis of its application to particular transactions. In addition, all entities will be subject to extensive new disclosure requirements.

KPMG SAMJONG © 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Korea.
The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

Thank you.

Hwang, Jae Nam, Partner, jaenamhwang@kr.kpmg.com
Lee, Hyun Kyung, Director, hyunkyunglee@kr.kpmg.com

© 2015 KPMG Samjong Accounting Corp., the Korean member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. Printed in Korea.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

KPMG Samjong Accounting Corp.

P.O. Box 1989
GangNam-gu

10th Floor, Gangnam Finance Center,
152 Teheran-ro,
Gangnam-gu, Seoul 135-984
Republic of Korea

Tel. 82.2.2112.0100
Fax 82.2.2112.0101
www.kr.kpmg.co.kr

April 9, 2015

Management and Program Sub-Committee
Global Green Growth Institute
19F Jeongdong Bldg, 15-5 Jeongdong-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, 2014, 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 the Company'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 October 7, 2014 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

KPMG Samjong Accounting Corp., a corporation established under Korean law, is member of
KPMG International, a Swiss Cooperative.

- 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 IT and Finance department and reviewed the related documentation. According to the policy, I.T Department/Facilities Manager and the Finance Department are to conduct physical count of the assets to ensure completeness and existence of the assets listed in the system. We re-performed the asset count by selecting 25 samples from the asset list to verify the existence of the asset.

Observation

Based on our sample test, we did not note any exceptions. We have noted though that while the IT department separately tags each asset when the purchased assets arrives at the offices, the exact location of the asset is not documented in the asset list or in another document. Therefore, only the I.T Department/Facilities Manager is able to identify the location of the asset. We also noted that asset physical count reports are not received from the satellite offices.

Recommendation

We understand that there may be difficulties in documenting the location of all the assets due to their specific character. However, for better management of the assets, GGGI might add the location of important assets or assets to be counted frequently in particular. Also, as indicated in the internal policy, the satellite offices should also perform physical count of assets located at the respective offices and deliver the results report to the HQ office.

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 August and October report on Contributions in Arrears which is 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.

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

Finance module was still in transition to new ERP implementation. The roles and responsibilities of each finance team member were not fully documented however the overarching process for closing activities are described in the finance policies.

Recommendation

Once ERP is implemented, we recommend for GGGI to develop a detailed manual which is aligned with the new ERP system, in addition to the Finance Policies and Procedures, covering significant activities performed by the Finance department so that in case of change in personnel the succeeding person may refer to user manual to understand the core functions to reduce the risk of hand-overs.

Bank Transactions

To test the procedures and policies related to bank transactions including Bank opening, Bank reconciliation, Petty cash and Credit card usage, we interviewed with Finance and Treasury department and reviewed the related documentation. We selected 18 Bank reconciliation reports in November and 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 5 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 the 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.

Procurement

To test the procurement procedures and policies, we interviewed the Procurement department and also obtained the procurement list during 2014 to select samples as part of our testing. We selected 25 samples (5 samples per criteria) 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 DoA, 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 rule of GGGI. Through this document verification**.**

Observation

Based on our interview and sample tests, we found that the procurement process is 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.

Follow-up on previous audit and review recommendations are as follows:

Bank Reconciliation and closing activities

In our management letter dated March 25, 2014, we had provided our observations in the bank reconciliation procedures and closing activities of GGGI. Both observations were related to limitations of the current financial reporting system, eMAX. GGGI has been working to implement a new ERP system, Unit 4 to remediate the observations noted. The implementation of the new ERP was not completed as of the date of this management letter.

We have reviewed the bank reconciliation procedures which was performed on a monthly basis by the Treasury department and did not note the exceptions we observed in the prior year.

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.

KPMG Samjong Accounting Corp.

The Company's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Management Response to Fixed Assets and Intangible Assets

We agree with the observation and recommendation. We will implement the documentation of important assets' locations and continue to conduct physical count of assets in accordance with the Finance Policies and Procedures.

Management Response to Financial Reporting and Closing Activities

We agree with the observation and recommendation. The existing roles and responsibilities are currently being aligned with each of the team member's roles and responsibilities within the scope of the ERP finance module. Since the ERP finance module was in the development stage in 2014, the updated roles and responsibilities along with the detailed user manual will be finalized as soon the ERP finance module is fully developed and implemented in the third quarter of 2015.

.