Project	**Financial Instruments: Hedge Accounting**
Topic	**Disclosures—The amount, timing and uncertainty of future cash flows**

Purpose of this paper

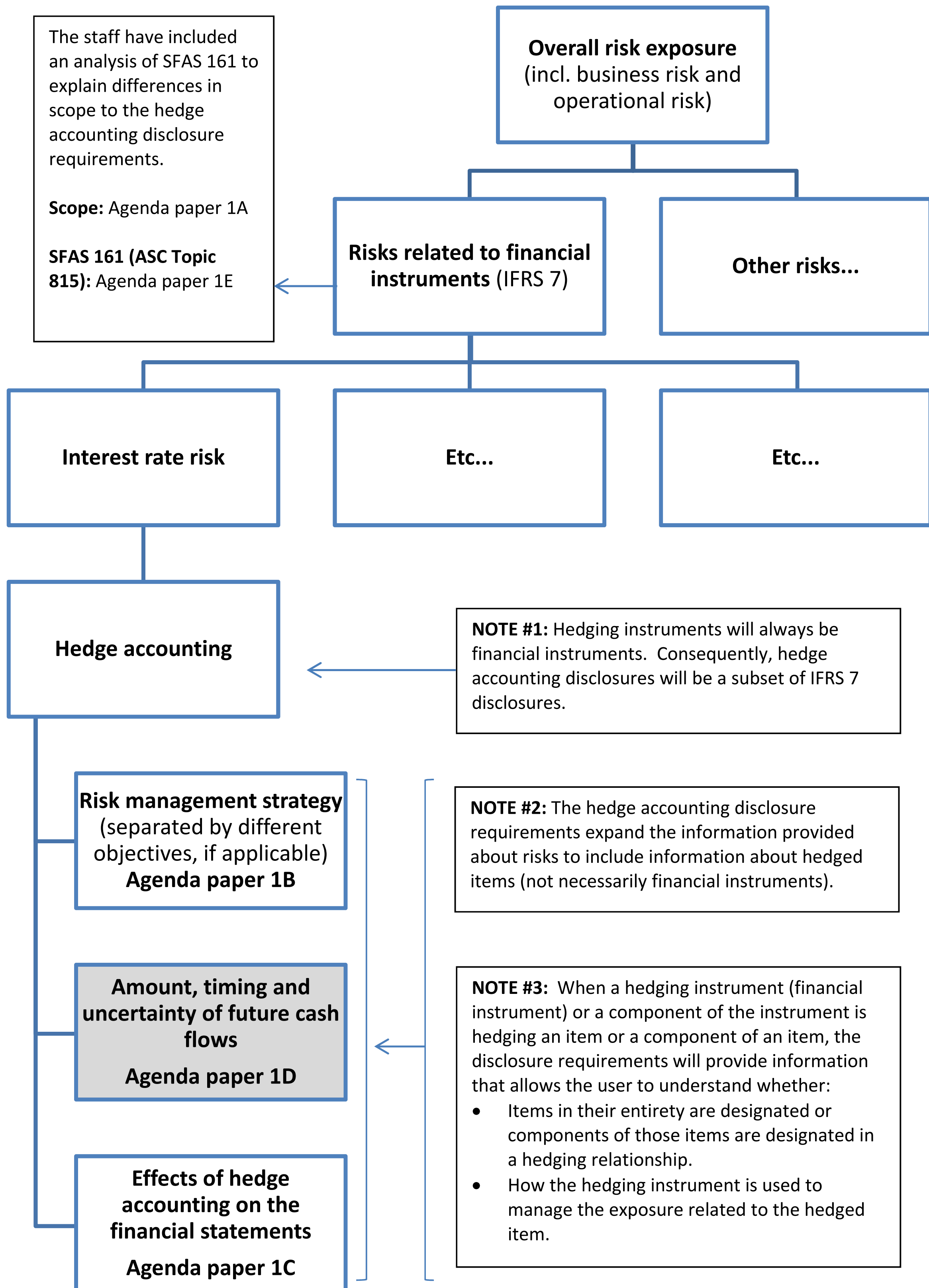
1. This paper asks the Board to **reconsider** its proposed disclosure requirement related to the amount, timing and uncertainty of future cash flows in the exposure draft *Hedge Accounting*.
2. The Appendix to this paper contains the proposed disclosure requirements in the exposure draft.
3. The diagram below illustrates the relationship between all the agenda papers that discuss hedge accounting disclosures. The items shaded in grey are relevant to the discussion in this paper.

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.


The staff have included an analysis of SFAS 161 to explain differences in scope to the hedge accounting disclosure requirements.
Scope: Agenda paper 1A
SFAS 161 (ASC Topic 815): Agenda paper 1E
Overall risk exposure (incl. business risk and operational risk)
Risks related to financial instruments (IFRS 7)
Other risks...
Interest rate risk
Etc...
Etc...
Hedge accounting
NOTE #1: Hedging instruments will always be financial instruments. Consequently, hedge accounting disclosures will be a subset of IFRS 7 disclosures.
Risk management strategy (separated by different objectives, if applicable) Agenda paper 1B
NOTE #2: The hedge accounting disclosure requirements expand the information provided about risks to include information about hedged items (not necessarily financial instruments).
Amount, timing and uncertainty of future cash flows
Agenda paper 1D
NOTE #3: When a hedging instrument (financial instrument) or a component of the instrument is hedging an item or a component of an item, the disclosure requirements will provide information that allows the user to understand whether:
• Items in their entirety are designated or components of those items are designated in a hedging relationship.
• How the hedging instrument is used to manage the exposure related to the hedged item.
Effects of hedge accounting on the financial statements
Agenda paper 1C

Background

4. The Board decided that in order to meet the objectives of hedge accounting disclosures, an entity would have to provide sufficient quantitative information to help users of financial statements understand how its risk management strategy for each particular risk affects the amount, timing and uncertainty of future cash flows. In that context, risk exposure refers only to risks that the entity has decided to hedge and for which hedge accounting is applied.

5. Consequently, the Board proposes that an entity should provide:

    (a) quantitative information on the risk exposure the entity manages and the extent to which the entity hedges that exposure; and

    (b) a breakdown of that information for each accounting period that the hedging relationship covers the risk exposure.

6. The above proposed requirement can be illustrated as follows:

	20X0	**20X1**	**20X2**
Total price risk exposure (barrels of oil per day)	55,000.00	60,000.00	65,000.00
Exposure hedged			
Forward sales contract			
Basis of hedged exposure (barrels of oil per day)	14,500.00	6,000.00	6,000.00
Average hedged rate USD/per barrel	81.75	85.50	88.00
Put options			
Basis of hedged exposure (barrels of oil per day)	14,500.00	6,000.00	nil
Average hedged rate USD/per barrel	≥75.00	≥70.60	nil

7. The Board also proposes that an entity should disclose information about the sources of hedge ineffectiveness of hedging relationships for each particular risk category. In the Board's view this would assist users in identifying the reasons for hedge ineffectiveness that is recognised in profit or loss (or in other comprehensive income when investments in equity instruments designated as at

fair value through other comprehensive income are designated as hedged items). It would also assist users in determining how hedging relationships will affect profit or loss.

Comments received

8. Many respondents disagreed with the proposed disclosure requirements about the amount, timing and uncertainty of future cash flows and raised concerns about the information that would be disclosed. They commented that the exposure draft would require that entities disclose forecast information. For example, if an entity held foreign currency forward contracts for sales that will take place over the next 3 years, it would have to disclose the expected forecast sales as a means to explain the entity's risk exposure. They do not think it is appropriate for entities to disclose this information nor for auditors to provide an opinion on it. They think that forecast information is highly subjective and should not be the focus of accounting standards for reporting past performance.

9. Many also believe that disclosing forecast information (for example, expected forecast sales) and the hedged rate or price[1] (ie the result after hedging) results in disclosing commercially sensitive information. They argue that those who elect not to apply hedge accounting would potentially have an unfair advantage by gaining insight into their competitors' hedge positions, while they do not have to disclose anything. Commercial sensitivity is also of particular concern to those entities whose competitors are not listed companies or who do not report under IFRSs.

10. From outreach activities held, most users acknowledge that the information proposed by this disclosure requirement is very useful. Some view this disclosure as providing the most useful information out of all the proposed hedge accounting disclosure requirements. However, some users have

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[1] For the remainder of the paper references to 'rate' include those to 'price'.

acknowledged that the information is sensitive and could have negative implications for the market.

11. Others commented that by providing information on the **total** risk exposure (ie related to the risk for which hedge accounting is applied), the disclosure requirement provides information on 'un-hedged risk'. They do not think it is appropriate to require information on risk exposures that the entity does not hedge simply because some of the risk is hedged (ie it should only be the risk exposure being hedged and for which hedge accounting is applied that matters for the purpose of such a disclosure).

12. Some responded that they think that information regarding the notional amount and key terms of the derivative positions by risk category and hedge type should be sufficient to give users adequate information as to the nature and extent of risk management activities for which hedge accounting is applied. They do not think the proposed disclosure requirement is warranted.

Staff analysis

13. The staff think that there are two issues to address:

    (a) the appropriateness of disclosing forecast information; and

    (b) the commercial sensitivity of the information and other operational problems.

14. There were no substantial comments raised on the requirement to disclose a description of the sources of hedge ineffectiveness (both expected and unexpected) (see paragraphs 47 and 48 of the exposure draft). Consequently, the staff has not provided any additional analysis on these requirements even though they form part of the disclosures that provide information about the amount, timing and uncertainty of future cash flows.

15. **For the purpose of this paper, the disclosure requirements only refer to those in paragraphs 45 and 46 of the exposure draft.**

Appropriateness of disclosing forward looking information

16. The objective of disclosing the total exposure that the entity is exposed to is to provide information to users about how much of its total exposure the entity actually hedges (ie headroom).

17. Assume an entity anticipated future foreign currency denominated sales from forecast transactions. To comply with the proposed disclosure requirement, an entity would have to disclose (for example) the budgeted sales in that foreign currency (to the extent they are the basis for determining the hedged volume) as a means of explaining the risk exposure in quantitative terms.

18. Is it only forecast transactions that create a problem? No. The exposure draft proposed to require a quantitative disclosure about the amount or quantity to which the entity is exposed for each particular risk. Consequently, when an entity recognises a firm commitment asset or liability as part of a hedging relationship, it would need to disclose the total risk that the entity is exposed to for that risk category. In the case of a firm commitment, it is not a forecast amount that needs to be disclosed, but it is an amount that has not yet been recognised in the financial statements.

19. The staff think that the question that needs to be addressed is whether it is appropriate to require disclosure of information with forward looking characteristics. This includes the following:

    (a) **Forecast transactions—**Uncommitted future transactions that are expected to occur.

    (b) **Firm commitments—**Binding agreements for the exchange of a specific quantity of resources at a specified price on a specified future date(s).

(c) **Variable price sale/purchase contracts—**Binding agreements for the exchange of a specific quantity of resources at unspecified prices on a specified future date(s)[2].

20. There are opposing views as to the appropriateness of such information being disclosed:

(a) **View 1—**An entity has elected to apply hedge accounting and the forward looking information forms a part of the hedging relationship. Consequently, the entity needs to provide disclosures about what is being hedged and at what rate the entity has locked itself in (or protected itself eg when using options).

(b) **View 2—**Forward looking information is subjective. Preparers should not be required to disclose such information and auditors should not be expected to provide assurance on such amounts. Financial reporting should provide information to users of financial statements that help them understand the past performance of an entity—it should not report future expectations.

21. However, the staff notes that IFRSs regularly make use of forward looking information (for example for impairment tests in IAS 36, for fair value measurements in IFRS 13 etc). Some forward looking information is more subjective than other (for example, forecast transaction compared to firm commitments and variable price sale/purchase contracts). However, the staff does not think that the problem lies with the appropriateness of forward looking information, but rather with potential commercial sensitivity of the information disclosed.

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[2] This is not a defined term in IFRSs. This is just a description of items that would also result in information being disclosed about transactions that have not yet been recognised in the financial statements.

The commercial sensitivity of the information

22. Providing information on the exposure an entity is managing and the hedged rate allows users to understand the impact of hedging on future cash flows of that entity. However, it also provides competitors with an understanding of (for example) projected sales and 'locked-in' hedged rates.

23. The information provided as part of this proposed disclosure requirement is being criticised for providing information that is commercially sensitive in the following respects:

    (a) it provides competitors with information on the total risk exposure;

    (b) it provides competitors with information about how much of the entire exposure the entity is hedging; and

    (c) it provides competitors with information about the rate at which the entity has hedged its position.

24. Consider an entity that has a significant transaction volume in foreign currencies. The entity hedges its foreign exchange risk or sales using currency forwards. Applying the proposed disclosure requirements would result in that entity disclosing the budgeted foreign sales in the specific currency and the hedges that it has placed on those sales. Not only do competitors gain insight into the forecasted sales volumes but also the hedged rates. Consequently, competitors could potentially undercut the entity in a particular market (depending on the amount of the exposure being hedged and the rate at which it is hedging the exposure).

25. The sensitivity of this information is exacerbated in situations where competing firms do not apply IFRSs or have elected not to apply hedge accounting. In other words, one competitor has to disclose his position while the other competitor does not.

26. While some believe that it is not possible to understand the implications of hedge accounting without this information, others point out that disclosure of such information could harm an entity's competitive position. Because of the

commercial sensitivity of these disclosure requirements it could act as a deterrent to applying hedge accounting.

Other issues

27. While the staff considered the feedback on the hedge accounting disclosure requirements a different issue came to light.

28. When entities apply a 'dynamic' hedging process, the proposed disclosure requirements that relate to the amount, timing and uncertainty of future cash flows will *not* provide any useful information.

What is meant by a 'dynamic' hedging process[3]?

29. For the purpose of this paper, a 'dynamic' hedging process refers to a situation in which entities assess their overall exposure to a particular risk and then designate hedging relationships for *constantly evolving exposures* that require frequent adjustment of the hedge position, such as hedges of open portfolios. Because the exposure draft facilitates hedges of groups and net positions in relation to *closed* portfolios entities need to use a dynamic hedging process for an *open* portfolio. This means entities designate hedging relationships for the open portfolio as if those were closed portfolios for a short period and at the end of that period look at the open portfolio as the next closed portfolio for another short period. The dynamic nature of this process involves frequent discontinuations and restarts of hedging relationships.

What is the problem?

30. As explained in Agenda Paper 9 of the 2 June 2011 IASB meeting, hedge accounting is sometimes applied as a surrogate for 'dynamic' hedging. For example, under IAS 39 many banks use a hedge accounting process that

[3] See paragraphs 40-46 of Agenda Paper 9 of the 2 June 2011 IASB meeting for a discussion of dynamic hedging.

involves frequent discontinuation and restarts of hedging relationships. In these situations the hedged item and the hedging instrument do not remain the same for long. Consequently, these entities tend to designate hedging relationships but they are discontinued after only a short period (such as a month) and then replaced by a new hedging relationship that takes into account changes in the exposure and the related hedging instruments over that period.

31. In situations in which entities apply hedge accounting as a surrogate for 'dynamic' hedging, the information disclosed to explain the amount, timing and uncertainty of future cash flows would *not* provide meaningful information. This is because the disclosure requirement is designed to provide information for non-dynamic hedging strategies. In other words, when an entity hedges a risk that remains broadly the same over the entire hedged period, the proposed disclosure requirements provide information about this relationship and how it manages the risk exposure for the life of the hedging relationship. In dynamic hedging, hedge accounting merely acts as a surrogate to achieve an outcome that is directionally consistent with the entity's risk management strategy but the hedging relationship must be frequently reset and hence does not last for the entire period for which the risk is hedged. Because of their dynamic nature, the hedging relationships will continuously change and providing information on such a short lived hedging relationships in the proposed format will not provide useful information.

32. Furthermore, a dynamic hedging strategy often relates to a *net* exposure of a portfolio of assets and liabilities. Consequently, disclosing the risk exposure, the extent to which it is hedged and the hedged rate for the hedging relationship that happens to be designated at the reporting date will equally not provide useful information.

33. Rather, a detailed description of the risk management strategy would be more meaningful. In other words, how the entity uses the hedge accounting as a surrogate for dynamic hedging and what its overall risk management strategy is. The staff also think that depending on the outcome of the macro hedging discussions, the Board could improve disclosures for dynamic hedging

strategies, rather than addressing it as part of the general hedge accounting disclosure package.

Amending the proposed disclosure

34. The staff think that the Board has at least the following three alternatives regarding the proposed disclosure requirements about amount, timing and uncertainty of future cash flows:

    (a) Alternative 1—Finalise the proposed disclosure requirement as is.

    (b) Alternative 2—Remove the proposed disclosure requirements completely.

    (c) Alternative 3—Amend the proposed disclosure requirements to address the concerns raised, but still require some information to be disclosed.

Alternative 1

35. The Board could decide that the disclosure requirement is appropriate and that if entities apply hedge accounting that uses forward looking information, they should disclose the required information. Consequently, the Board would conclude that:

    (a) That the benefits of disclosure outweigh the sensitive nature of the information disclosed.

    (b) Entities that apply hedge accounting as a surrogate for dynamic hedging should apply the same disclosure requirements as entities that apply hedge accounting in 'normal' situations.

36. The staff do not recommend this approach. The staff think that the concerns raised about commercial sensitivity of the information disclosed are valid. The staff are concerned that is too high a price to pay as a consequence of applying hedge accounting. Furthermore, the staff do not think that the disclosure

requirement would provide useful information when entities apply hedge accounting as a surrogate for dynamic hedging.

Alternative 2

37. The Board could decide to remove the proposed disclosure requirement in its entirety. In other words, entities will only provide disclosures about the risk management strategies and how hedge accounting affected the financial statements. There would be no disclosures to help users understand how the hedges (for which hedge accounting is applied) ultimately change the risk exposure and what the hedged rates are that result from that hedging relationship.
38. The staff does not agree with this approach. Providing only a qualitative description about the risk management strategy and tabular disclosures showing the effects of hedge accounting without any information about the timing or amounts of cash flows does not provide a complete picture of hedge accounting. It would not be consistent with one of the primary objectives of this project which is to improve the users understanding of how an entity manages risk and the related application of hedge accounting.
39. The staff think that there are some amendments that could be made to the proposed disclosure requirements that could still provide some useful information that would be less commercially sensitive (see alternative 3 below).

Alternative 3

40. The Board could make amendments to the proposed disclosure requirements that provide information about the amount, timing and uncertainty of future cash flows in such a way that it addresses the concerns raised. However, such amendments would result in less information being disclosed compared to the proposals in the exposure draft (this would be a necessary consequence of amending the disclosure requirement to address the concerns raised by respondents).

41. The following section sets out the possible solutions for an *alternative disclosure* that would apply when the information is too commercially sensitive or if an entity applies hedge accounting as a surrogate for dynamic hedging.

Alternative disclosure when information is too commercially sensitive

42. The disclosure requirement as proposed focuses on the hedged risk (ie the forecast sale or purchase or firm commitment etc). It is because of this focus that potentially sensitive information might be disclosed. The staff think that if the information is too commercially sensitive, entities should at least provide information on the hedging instruments to allow users of financial statements to infer information about the hedged risk.

43. The staff notes that not all respondents criticised the proposed disclosures for requiring commercially sensitive information to be disclosed. It seems that the disclosure requirement will be more sensitive in some industries than in others. In the light of this, the staff think that the Board should keep the disclosure requirement as is, but allow preparers to 'opt-out' of the requirement to disclose this information if it is commercially sensitive. If entities 'opt-out' from the disclosure requirement they should:

    (a) provide a description of why the information would be commercially sensitive; and

    (b) provide information about the position they hold with respect to the *hedging instruments*.

44. To understand the amount, timing and uncertainty of future cash flows related to the hedging instrument, users of financial statements need to understand how and when the hedging instrument will offset cash flows or changes in the value of the hedged item. For example, users would need information such as:

    (a) the principal, stated, face or other similar amount, which, for some derivative instruments, such as interest rate swaps, might be the amount (referred to as the notional amount) on which future payments are based

(*This is already required as part of the tabular disclosures, see paragraph 49(b) of the exposure draft*);

(b) the timing of maturity or expiry of the hedging instruments; and

(c) the average stated exercise price or rate of the hedging instruments (if applicable).

45. If preparers 'opt-out' of the proposed disclosure requirements because the information is commercially sensitive, users will **not** be provided with the following:

(a) Information about the 'headroom' (ie how much of the risk exposure has been hedged relative to the total exposure) for hedging relationships for which forecasting uncertainly results in only part of the overall volume being designated as the hedged item (eg the first CU100 of sales in currency A when the entity manages an expected volume of CU120 but leaves a 'headroom' of CU20 so that at least CU100 are highly probable of occurring).

(b) Information about the risk profile after hedge accounting has been applied (it will only provide the terms of the hedging instrument).

46. However, users of financial statements will still be able to get an understanding of:

(a) The maturities of the hedging instruments.

(b) The average exercise price or rate of the hedging instrument.

47. **NOTE—**the disclosures about the hedging instruments will be accompanied by the risk management strategy for each risk category (ie how the entity uses the hedging instruments to reach the desired outcome). Consequently, the staff think that users of financial statements will at least be able to understand the size of the derivative position used for hedging the particular risk and the rates that have been locked in or protected (eg in case of using options to secure a minimum or maximum rate).

Advantages of alternative 3

48. If the Board amends the disclosure requirement to provide information about only the amount and timing of the *hedging instrument* (ie not the risk exposure), the information provided will not be as commercially sensitive.

49. Providing information on the terms and conditions of the hedging instrument is similar to disclosure requirements of IFRSs before IFRS 7 was issued[4]. However, the staff note that unlike the requirements previously in IFRSs this disclosure will only apply if entities elect to apply hedge accounting.

Disadvantages of alternative 3

50. Users will not necessarily be able to identify how much of the exposure is being hedged (ie identifying the headroom) (this would have been possible with the proposals in the exposure draft).

51. Providing information about the terms and conditions of all hedging instruments could still be perceived as disclosing too much detail. This is because entities normally have large quantities of (for example) derivative positions and disclosing the terms and conditions of these contracts will be too detailed. For example, entities are exposed to a number of currencies and use instruments that have different (contractual) forward rates. Disclosing the terms and conditions separately for each of those contracts would be impracticable. The proposal would require average rates in time buckets rather than terms and conditions of each contract, ie the information can be aggregated. Similar to the terms in the original IAS 32, when financial instruments are significant, either individually or as a class, to the financial position of an entity or its future results, their terms and conditions are disclosed. If no single instrument is individually significant to the future cash flows of the entity, the essential characteristics of the

[4] Paragraph 63(a), (b) and (f) of IAS 32 *Financial Instruments: Disclosure and Presentation* (as issued in 2004) required terms and conditions similar to the proposed alternative suggested for Alternative 3 in this paper.

instruments are described by reference to appropriate groupings of like instruments.

52. Information might still be considered sensitive by some. Focusing on the rates of the hedging instrument still provides competitors with information about the position an entity holds on derivatives and the rates that it has locked in or protected (even if it does not provide information about the headroom anymore). However, the staff note that the information provided will be at an aggregated level. For example, if an entity has a foreign currency exposure, it will provide information on the derivatives used to hedge the currency risk. This disclosure is not required by business segment or product line. In other words, the disclosure will only provide information about how the hedging instrument is used to manage the currency risk (ie the hedged item in total). The disclosure will not require entities to provide a breakdown of the currency risk by product type etc. This should make the disclosure less sensitive from a pricing structure point of view. Furthermore, this disclosure is similar to the disclosure requirements in IAS 32, before they were replaced with IFRS 7. However, if an entity has a very specific hedging strategy and it needs to be explained in the context of a specific segment or product type (even though no specific requirement exists to do so), the information might be commercially sensitive. Users will have the fair value, the change in fair value, the notional amount and the timing of the notional amounts. The staff does not think that an average rate of the hedging instrument need be disclosed if it is that commercially sensitive. Users should have enough information to give them an idea of the exposure being managed and the timing thereof.

53. Providing an opt-out might results in extensive discussions/arguments with auditors about whether or not the information is sensitive and whether the entity may use the opt-out. However, the staff note that a similar concept exists in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Paragraph 92 of IAS 37 states that if the particular disclosure requirement in paragraphs 84-89 of IAS 37 might prejudice the position of the entity in a dispute with other parties, the entity does not have to disclose that information. Consequently, the

staff do not think alternative 3 would introduce a new concept into IFRSs by providing an opt-out. The staff agree that this might result in questioning of whether or not the use of the opt-out is appropriate in a particular situation, but this is no different to questioning whether information disclosed as required by paragraphs 84-89 of IAS 37 would prejudice the position of the entity in a dispute. Also, the opt-out reduces the quality of the information being provided, consequently the staff does not think it is unreasonable to require entity's to justify why information is too commercially sensitive.

Alternative disclosure when using hedge accounting as a surrogate for dynamic hedging

54. As explained earlier in this paper, the staff do not think that it will provide useful information to disclose the risk exposure, the extent to which it is hedged and the hedged rate in situations where hedge accounting is used as a surrogate for dynamic hedging (see section 'What is meant by a 'dynamic' hedging process?').

55. Equally, the staff do not think it will be useful to provide information about the hedging instrument similar to the alternative disclosure suggested for situations in which the proposed disclosure provides information that is too commercially sensitive. This is because the hedging relationship is so short lived. Whether information is provided on the hedged item or the hedging instrument, it will not provide any information about the amount, timing and uncertainty of cash flows that reflect the ultimate 'dynamic' hedging strategy.

56. The staff think that it would be better to exempt entities that apply hedge accounting as a surrogate for dynamic hedging from this disclosure requirement for those hedging relationships. However, as a result of not providing this disclosure these entities should expand their description of their risk management strategy to specifically include the following:

    (a) A description of why the proposed disclosure requirement would not provide useful information and why the entity uses hedge accounting as a surrogate for dynamic hedging.

(b) Information about how the entity manages the overall risk exposure. In other words, information about what the ultimate risk management strategy is (for the dynamic hedge) and how it meets the objective using hedge accounting and designating the particular hedging relationships.

Staff recommendation

57. As mentioned earlier in the paper, there were no concerns raised about the disclosure requirements to disclose the expected and unexpected sources of ineffectiveness. Consequently, this paper did not provide any additional analysis. The staff recommend that the Board confirm the proposed disclosure requirement in paragraphs 47 and 48 of the exposure draft. That is that entities should provide a description of the sources of hedge ineffectiveness that are expected (and any other sources when they arise) to affect the hedging relationship.

Question—1
Does the Board agree with the staff recommendation in paragraph 57? If not, why not and what would the Board prefer instead and why?

58. The staff recommend that the Board confirm the proposed disclosure requirements in paragraphs 45 and 46 of the exposure draft. However, the staff also recommend that the Board provides an exemption from those disclosure requirements when:

    (a) they would result in disclosing commercially sensitive information; or

    (b) the entity uses hedge accounting as a surrogate for dynamic hedging.

59. When these exemptions apply, entities shall disclose the following information instead:

    (a) When the requirements would have resulted in the disclosure of commercially sensitive information, an entity shall instead disclose for

each category of risk, information about hedging instruments that allow users of financial statements to understand for those instruments:

(i) the principal, stated, face or other similar amount (referred to as the notional amount); and

(ii) a profile of the timing of the principal, stated, face or similar amount.

(b) When the entity applies hedge accounting as a surrogate for dynamic hedging, an entity shall instead disclose for each category of risk additional information about the risk management strategy that will allow users to understand:

(i) why the entity uses hedge accounting as a surrogate for dynamic hedging; and

(ii) what the ultimate risk management strategy is (for the dynamic hedge) and how it meets the objective using hedge accounting and designating the particular hedging relationships.

Question—2
Does the Board agree with the staff recommendation in paragraph 59? If not, why not and what would the Board prefer instead and why?

Appendix

The amount, timing and uncertainty of future cash flows

45 For each category of risk exposure, an entity shall disclose quantitative information to enable users of its financial statements to evaluate the types of risk exposures being managed in each risk category, the extent to which each type of risk exposure is hedged and the effect of the hedging strategy on each type of risk exposure.

46 An entity shall provide a breakdown that discloses, for each subsequent period that the hedging relationship is expected to affect profit or loss, the following:

(a) the monetary amount or other quantity (eg tonnes, cubic metres) to which the entity is exposed for each particular risk (for hedges of groups of items, an entity shall explain the risk exposure in the context of a group or net position);

(b) the amount or quantity of the risk exposure being hedged; and

(c) in quantitative terms, how hedging changes the exposure (ie the exposure profile after hedging such as the average rate at which the entity has hedged that exposure).

47 For each category of risk, an entity shall disclose a description of the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its term.

48 If other sources of hedge ineffectiveness emerge in a hedging relationship, an entity shall disclose those sources and explain the resulting hedge ineffectiveness.