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FOREIGN EXCHANGE HEDGING POLICY CLIENT ADVISORY

All companies operating internationally will be exposed to foreign currency exchange (FX) risk. Financial derivatives are products that can be utilized to reduce the impact that movements in FX rates can cause in financial statements. As part of a strong FX risk management program, companies should create an FX risk policy, identifying key risks and strategies to mitigate those risks. This will allow the company to clearly document their risk thresholds, corporate goals and overall strategy for all stakeholders. Companies should find a balance between policies being specific enough to provide guardrails but also broad enough that they do not need to be amended or revised for each and every new situation that arises. Additionally, companies should be sure to monitor their organization for times where it makes sense to revisit and amend the policy/strategy. For example, companies should at least consider modifying the FX risk management policy as the company changes in size or ownership (private to public, for example), new geographies are entered, a merger or acquisition is closed, additional product lines are added, the organizational structure changes, etc.

Most policies should include these seven common components:

I. Objectives

Risk management objectives should be clearly identified, measurable and appropriate. A policy should explicitly address what entities are governed by the policy and that it contemplates needs of all stakeholders in the organization. Ideally, a specific metric would be identified (EPS, EBITDA, Net Income, FX gain/loss, etc.) and different programs (cash flow, balance sheet, net investment) would have different objectives. Risk tolerances should be identified and quantified.

II. Definitions

Outlining clear definitions of terms is critical in ensuring a consistent approach to risk management. Most policies address the following classes of definitions: types of FX risk, derivative products, sources of risk, hedging priorities and what to hedge.

III. Strategies

This section typically covers what will be hedged/unhedged, tenor of hedging program(s), allowable hedging products and entities that will be hedged. Companies may also choose to be very explicit on exact ratios and tenors or create ranges leaving specific decisions up to individuals. Usually detailed operational instructions are covered in a separate document but for companies starting up simple programs those details may be in this section as well.

IV. Responsibilities

This section should specify which individual(s) in the organization have authorization to hedge on behalf of the company. It is important that there is a clear separation of duties between roles. Many companies have been shifting to a centralized approach to risk management within the organization to ensure a holistic picture of the risk and consistent application of hedging. Management approvals necessary by trading size/tenor are often included here as well. Naming members of a risk management committee or group is also important to identify in this section, if applicable. Consider a RACI matrix for key responsibilities.

V. Controls and Monitoring

The policy should define key operational aspects of the program such as reporting responsibilities, mark-to-market valuations, when and who should inform management of FX activity, how trades are confirmed and by whom, how effectiveness will be monitored and monitoring whether the FX manager is within counterparty credit limits. Some companies choose to have a separate counterparty policy; if so, this section should refer to that policy.

VI. Regulatory Considerations

The policy should clearly address any regulatory concerns. Key areas that may be worth identifying include Dodd-Frank compliance and EMIR reporting, if applicable. Creating the policy such that it can be easily adapted to changing regulatory landscape is helpful.

VII. Accounting Considerations

You may also include documentation requirements for ASC 815 and ASC 830 for accounting purposes. Usually accounting details will be warehoused in a separate, comprehensive policy document that addresses the nuances that are specific to the accounting realm. It is important that the FX policy and accounting policy documents are fully aligned and address the application of hedge accounting, the supporting documentation and the ongoing requirements tied to your hedging program.

The attached draft foreign exchange hedging policy is intended to provide a risk management framework that can be customized to meet an individual company's needs. Policies can vary substantially between companies, based on the nature of the business model risk, the degree of flexibility required in meeting risk management objectives and the desired level of specificity. Basic policy considerations are included in the attached, addressing each key element of policy at a high level, as well as language supporting basic regulatory requirements under Dodd-Frank. Some areas may not be applicable to your specific situation.

We strongly suggest consulting with your risk, tax and accounting advisors as part of creating a risk management program and the related policy documentation. The following example policy is provided for illustrative purposes only, it is not making specific recommendations about products, strategies, accounting treatment or any other area of risk management. All policies should be written specifically for the company's situation and goals.

Please contact our team with any questions at (866) 443-7259.

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CUSTOMIZABLE TEMPLATE FOR A FOREIGN EXCHANGE HEDGING POLICY

Below is an example of a template a corporation can use when creating a Foreign Exchange Hedging Policy for their own purposes. While we have identified many of the relevant topics and products, this should be customized for each company's specific requirements, after consultation with their management, legal and accounting teams.

Foreign Exchange Hedging Policy

Statement of Purpose

The purpose of this policy is to establish the objectives, policies, procedures and practices for ABC Corporation governing the management of foreign currency exposures. Foreign currency risk management covers the identification of currency exposures, risk measurement and the actions employed to mitigate such risks. Currency risk mitigation entails cash flow management or utilizing hedging instruments to protect against volatility of earnings for the U.S. dollar (USD) equivalent of cash flows associated with changes in foreign exchange rates.

It is the responsibility of the Board of Directors, [Appropriate Committee] and senior management to establish an effective set of policies for the purpose of using derivatives (also referred to as "hedges") consistent with the Company's underlying strategy, commercial objectives, level of risk tolerance and financial capacity and flexibility.

Scope

This policy applies to ABC Corporation and its subsidiaries (hereinafter referred to as "the Company").

Objectives

The objective of currency management is to reduce, to the extent possible, impacts due to fluctuations in foreign exchange rates on ABC Corporation's earnings or fair values of assets and liabilities, without exposing ABC Corporation to additional undue risk. The Company will generally pursue currency risk mitigation strategies that result in the least amount of reported earnings volatility under Generally Accepted Accounting Principles (GAAP) while still meeting strategic economic objectives and maintaining adequate liquidity and flexibility.

Companies should then create specific objectives for each type of hedging program they have, including quantifiable metrics. For example, the primary objective of the cash flow hedging program is to reduce earnings risk over a 12-month period by 50-80%, or the primary objective of the balance sheet hedging program is to reduce variability in FX Gain/Loss by hedging 80% of monetary assets/liabilities. Actual percentages will vary based on company, industry and exposure profile — use these numbers as examples not recommendations. The specific metric should also be adjusted based on the company's exposures and strategy, for example, some companies may target earnings, while others focus on EBITDA.

Definitions

Authorized Representatives: Company employees, officers or directors [who hold the position of CFO / Treasurer / Assistant Treasurer / insert others, as appropriate], who evaluate swaps and make swap trading decisions on behalf of the Company and whose education, experience, industry knowledge and board approval demonstrate their capacity to carry out these responsibilities on behalf of the Company.

Cash Flow Hedge: A derivative that hedges exposure to variability in the cash flows of a recognized asset or liability or a forecasted transaction, for the risk being hedged.

Dealing Mandates/Board Resolution: A letter signed by the authorized signer which lists those who are authorized to enter into foreign exchange contracts. This also includes immediate verbal and written notification of the change in status of any employee authorized to conduct foreign exchange business.

Derivatives: Financial instruments whose value changes in response to the changes in underlying variables or assets (such as commodities, equities, bonds, interest rates exchange rates or indexes). We have listed some of the more commonly used derivatives utilized to hedge FX exposures. However, not all of these strategies might be appropriate for all companies; this list should be customized, based on a company's sophistication, understanding of derivatives, risk tolerance and other factors.

> **Currency Swap:** The combination of a spot FX transaction with a forward contract in the opposite direction. For example, if a spot transaction was executed to buy EUR and sell USD, then the forward contract must by definition be a sell EUR and buy USD contract. The combination of the spot and forward transactions are executed simultaneously to create execution efficiency and to reduce risks of spot movements (currency swaps are generally "spot insensitive"). Currency swaps are generally used to manage bank account balances or alter the maturity of an existing forward contract.
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> **FX Collar/Risk Reversal:** A combination of an option purchased by the Company and an option sold by the Company. The premiums of these two options offset each other in such a way as to make the total contract costless to the Company. The purchased and sold options will typically share the same currency pair, the same exercise date and the same settlement date. However, one option will be a Call option with its own unique strike whereas the other option will be a Put option with its own unique strike. Typically, both options will be out-of-the-money at the inception of the contract.
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> **Participating Forward:** A legal contract that provides protection against rates moving against the Company but provides some upside when rates move favorably. Typically, these are structured as zero-cost products.
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> **FX Forward Contracts:** A legal contract to buy one currency and sell another currency with predefined amounts, settlement date and exchange rate. Forward and forward window contracts are used to lock in exchange rates (a forward rate) for a specific future date, or for a range of dates (a window). Forward contracts are often used as a tool to eliminate the impact of adverse currency moments and to protect profit margins. A forward rate is calculated by taking the spot rate and adding or subtracting forward points. Forward rates are determined by the interest rate differential between the countries of the two currencies which are being exchanged.
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> **Purchased FX Options:** A legal contract that confers the right but not the obligation for the option owner to buy one currency (Call) and sell another currency (Put) with a predefined amount, exercise date, settlement date and exchange rate (option strike). ABC Corporation prohibits selling an option to an institution unless it is part of an underlying structure that has been approved, or to unwind or offset an existing purchased option.

Foreign Currency: ABC Corporation is U.S.-based, therefore the term "foreign currency" refers to all currencies other than the U.S. dollar.

Functional Currency: The currency of the primary economic environment in which a company or subsidiary operates.

Margin Risk: Margin Risk represents the fundamental mismatch that the Company has between the currency of its revenues and currency of its expenses. Consequently, Margin Risk is driven most significantly by projected revenues and expenses rather than booked revenues and expenses. Margin Risks typically manifest themselves in operating margin, as well as cash flows. Margin Risk can arise due to Transactional Exposures and Translational Exposures.

Mark-to-Market (MTM) Hedge: A derivative that is not designated for hedge accounting treatment, which gets marked to market through P&L as changes in fair value occur. Balance sheet hedges to manage Re-Measurement Risk typically fall in this category.

Re-Measurement Risk: Once revenues and expenses are booked but not yet paid, accounting rules require the Company to recalculate the value of these monetary assets and liabilities in Functional Currency terms. Re-measurement of these line items is booked in the Other Income/Expense line item under FX Gain/Loss, and can contribute to volatility in Net Income.

Reporting Currency: The currency in which the entity prepares its local statutory financial statements.

Transactional Exposure: Trade related exposures (or Margin Risk) that give rise to non-functional currency revenues and expenses, and settlement related exposures (or Re-Measurement Risk) that give rise to non-functional currency receivable and/or payables.

Translation Exposure: Translation of a foreign currency functional subsidiary's income statement and translation of a foreign currency functional subsidiary's balance sheet, both for the purpose of presenting consolidated financial statements at the parent level.

Strategy

ABC Corporation is exposed to foreign currency rate fluctuations in the normal course of its business. A portion of our revenue, expense and capital activities are transacted in foreign currencies. Treasury will always look for natural hedges (opposite cash flows in the same currency - either at the same entity or across entities in the group) to net foreign exchange exposures. If remaining net foreign currency exposure is deemed to present material risk, then the use of hedging strategies under the parameters below will be pursued.

Foreign exchange risks can be broken down into two primary categories: 1) Margin Risk and 2) Re-Measurement Risk. Within each of these categories, there are further distinctions to explore:

Both types of risk may not be applicable to all companies.

1. **Margin Risk:** Margin Risk is driven most significantly by projected revenues and expenses. Margin Risks typically manifest themselves in operating margin, as well as cash flows. Margin Risk can arise due to Transactional Exposures and Translational Exposures. [ABC Corporation may hedge up to 80% of its net foreign currency exposures, driving margin risk, for a tenor of up to 12 months.]

2. **Re-Measurement Risk:** Once revenues and expenses are booked but not yet paid, accounting rules require the Company to recalculate the USD value of these monetary assets and liabilities. Re-measurement of these line items is booked in the Other Income/Expense line item under FX Gain/Loss, and can contribute significantly to volatility in Net Income. [ABC Corporation will target a hedge of 80% of net exposure in each foreign currency, with a tenor that aligns with the next reporting period.]

Allowable Hedge Products *(Companies can and do customize this list. For example, some may not permit the use of FX options).*

The Company may use a variety of commonly used derivative products that are considered plain vanilla derivatives and are instruments also used by peer companies to manage FX rate risk. The Company expressly prohibits the use of derivative instruments for speculative purposes. The Company will not use derivative financial instruments which can be characterized or defined as leveraged, or which cannot be easily valued for Mark-to-Market purposes. The use of historical rate rollovers on expiring forward contracts will also be avoided as these can disguise accrued gains or losses. Approved products, including appropriate customization to match the underlying risk presented, include:

- FX Forward Contracts: Fixed Date and Window Forwards
- Currency Swaps
- FX Options (purchased options or option strategies that result in premium paid or zero-cost, including collars/risk reversals and participating forwards)

If companies choose to allow options, they typically require that the options either be purchased or structured as zero-cost products. Generally, options should not be net generator of premiums for companies. If using options, also consider defining a budget for option premiums. Additionally, some companies may allow options but require additional approvals that are not necessary for forward products.

Hedging Entities

Hedges will typically be executed at the same entity that holds the underlying exposure. However, hedge entity determination will factor in credit strength and accounting/tax treatment, as needed, to ensure that the appropriate entity within the Company organizational structure is utilized.

Cost Considerations

Every effort will be made to execute hedging transactions as efficiently as possible. The following are some of the factors that will be considered in evaluating the cost component of the hedging strategy against the level of risk mitigation provided:

- Upfront cost associated with option premiums (e.g. FX options)
- Market pricing, inclusive of credit, associated with swap products
- Credit considerations (use of available capacity, collateral posting requirements)
- Transaction sizing for maximum liquidity and pricing efficiency
- Bank relationship considerations

Compliance with the Dodd-Frank Act

The Company is subject to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") because it participates in the U.S. OTC derivatives market and accordingly addresses current regulations in this Policy. Because compliance obligations and best practices are evolving constantly and rapidly, the Company authorizes Authorized Representatives from time to time to adopt policies and procedures as necessary to ensure compliance with the Dodd-Frank Act.

Institutional Suitability Controls

For the purpose of the Institutional Suitability Controls section of this policy, a "swap" means a "swap" as defined in Section 1a(47) of the Commodity Exchange Act, including any foreign exchange forwards and foreign exchange swaps that are exempted from certain regulations by the Secretary of the Treasury.

The Company follows a structured internal control process that involves the following authorization and procedures. Included in the process are required approvals for the use of swaps, including specifying the level of Company staff authorized to engage in swaps and for those who are permitted to be involved in entering into, negotiating, approving, executing, and reviewing the accounting and transaction documentation. The process ensures that the individuals who evaluate swaps and make swap trading decisions on behalf of the Company are capable of doing so.

Unless otherwise approved by [Appropriate Committee], each Company employee who evaluates swaps and makes swap trading decisions should be an Authorized Representative. Authorized Representatives are responsible for ensuring they are knowledgeable about recent developments in the swaps market that are relevant to the Company and its trading or hedging policies. This requirement can be satisfied through continuing education workshops, webinars, independent reading, use of independent advisors or other similar methods.

Authorized Representatives will follow all Company policies and procedures with regard to performing these duties.

Mandatory Clearing and the End-User Exception

The Company will comply with all applicable regulations relating to the mandatory clearing of swaps and electing the End-User Exception from mandatory clearing, including those required by 17 CFR 39, End-User Exception to the Clearing Requirement for Swaps, as amended and interpreted. The Company may further elect to apply the End-User Exception on a per-trade basis for all swaps, as defined by the Dodd-Frank Act, that are required to be cleared by the CFTC.

Reporting and Recordkeeping

The Company will comply with any requirements it bears under 17 CFR Part 43, Real-Time Public Reporting of Swap Transaction Data; 17 CFR Part 45, Swap Data Recordkeeping and Reporting Requirements; and 17 CFR Part 46, Swap Data Recordkeeping and Reporting Requirements: Pre-Enactment and Transition Swaps (the "Reporting Rules") and any applicable interpretive guidance or relief promulgated by the CFTC, the SEC or by any other applicable regulatory body.

Pursuant to the Reporting Rules, the Company will keep and maintain full and complete records of all swaps, as defined by the Reporting Rules, for the life of the swap and for five years post-termination. Records may be kept in paper or electronic format, but must be accessible within five business days.

Controls and Monitoring

Performance Monitoring

The FX risk management program will be monitored on a quarterly basis to evaluate changes to the risk profile or strategy, effective risk mitigation, appropriate accounting treatment and regulatory compliance.

Policy and Program Review

This Policy will be reviewed and approved by the [Appropriate Committee] on an annual basis at a minimum. Any significant changes to capital structure or to the hedging program may warrant a revision (and approval by the [Appropriate Committee]) prior to the next scheduled annual review.

Counterparty Risk Management

Approved Counterparties to derivative transactions will be determined based on adhering to one or more of the following guidelines:

- Financial institutions with whom the Company either has a significant credit and/or cash management relationship
- Minimum long-term debt credit rating of "___" as rated by Standard and Poor's or "___" as rated by Moody's Investors Service
- Trading relationship documented under a mutually acceptable International Swaps and Derivatives Association ("ISDA") Master Agreement (and associated Schedule), or market standard alternative such as a bilateral FX agreement

Controls

Companies should set internal controls and procedures that are appropriate for the roles and positions defined within the company. Segregation of duties should be incorporated, particularly with respect to consecutive activities of recommending, approving, executing and settling transactions. Sample language follows:

The Chief Financial Officer, Corporate Treasurer, Assistant Treasurer and the FX Treasury Manager shall individually have the authority to enter into foreign exchange contracts in the Company name and on its behalf within the guidelines set forth in this policy. The corporate treasurer will authorize any other individuals to be able to enter into foreign exchange contracts in the Company's name. Any exceptions to this policy must be approved, in writing, by the Chief Financial Officer. A signed dealing mandate will be sent to all financial institutions.

This policy provides guidelines for the management of foreign exchange hedging. Under some circumstances, foreign exchange transactions that are appropriate for the Company and entirely within the spirit of this Foreign Exchange Policy as described in the "Objectives" section may not fall within the prescribed quantitative guidelines contained in this Foreign Exchange Policy.

When the Treasury Manager determines that a foreign exchange transaction is in the best interest of the Company and is consistent with the objectives of this Foreign Exchange Policy, the transaction is permitted even though it is not consistent with the quantitative guidelines, subject to the following controls:

- Whenever a transaction is made that is an exception to the quantitative guidelines, the [Chief Financial Officer] must approve the transaction in writing prior to execution
- Exceptions will be reported to the Chief Executive Officer and the Board of Directors in a monthly Foreign Exchange Report
- If the policy is breached, the Chief Financial Officer must be notified immediately. The Chief Financial Officer is then responsible for notifying the Board of Directors of the breach of policy, either immediately or in the monthly Foreign Exchange Report

Internal Accounting Controls

The Treasury Manager is responsible for recommending transactions, and the Corporate Treasurer is responsible for approving all hedging strategies. Only the Chief Financial Officer, Corporate Treasurer, Assistant Treasurer and the Treasury Manager shall have the authority to enter foreign exchange contracts that will provide foreign exchange coverage. The Controller is responsible for implementing internal control procedures, accounting entries and ensuring that procedures are followed. Once the Chief Financial Officer has approved a hedging strategy, the Treasury Manager is authorized to execute the contracts with an approved bank. The following procedures shall be followed:

- All transactions will be recorded immediately upon execution by the Treasury Manager (Either here, or in a separate procedure document, the company should describe how hedges will be executed. Many companies will use an electronic platform to execute transactions allowing them to bid out the trade to multiple counterparties for best pricing. Depending on the size of the organization it may be more practical to execute the trades over the phone with a single bank either for relationship reasons or because the number of trades does not warrant a platform. Documenting the approved method or methods of execution is important). The aggregate amount of hedge contracts by currency should not deviate from the approved covering action.
- Immediately upon execution, the Treasury Manager (or appropriate finance staff member) will provide all details of each contract to the Controller and send the bank a written contract confirmation listing the pertinent details of the contract: currency, amount, contract rate, value date and purpose of hedge. These contracts shall be cross-checked against the (internal) FX system of record. These confirmations will be used as the primary means of checking the accuracy of the confirmation issued by the banks.
- Bank confirmation of foreign exchange transactions will be sent directly to the Controller. The Controller, or designated person, shall keep a log of incoming confirmations, filed by bank. If the confirmation has not been received within 3 working days after the execution date of the contract, the Controller will personally contact the bank to verify that the trade is on the bank's records and request a confirmation in writing from the bank.
- The Controller shall compare the bank's record of the transaction with the Company-originated confirmation. If the two records concur, the controller will sign the bank confirmation and return it to the appropriate bank (keep copies of the signed confirmation for the Controller's and Treasury Manager's files). If there is a discrepancy, the Controller will personally contact both the bank and the Treasury Manager to determine whose records are in error. The Chief Financial Officer shall be notified of all discrepancy occurrences.

At the end of the month, the Controller, or a designated person, shall review all incoming and outgoing cash transfers pertaining to foreign exchange. The Controller shall ensure that the appropriate amounts were received/paid on the appropriate dates. Specifically, cash transfers related to FX contracts should be reconciled with the monthly FX Contract Summary at the end of each quarter for the entry supporting unrealized gains/losses on open FX contracts.

Reporting

The Treasury Department will prepare and the Chief Financial Officer will review a monthly Foreign Exchange Report, containing the following information:

- The net transaction exposure of the Company by currency and recommendations of appropriate hedging actions
- Number of transactions (contracts purchased and sold) made during the month
- Summary of the current open foreign exchange contracts and explanation of the strategy behind the open positions
- Results of positions that have been closed during the month
- Violations or exceptions to the foreign exchange policy in the portfolio
- Status of any foreign exchange positions that might require management attention

The monthly Foreign Exchange Report will be distributed to the Chief Financial Officer and Assistant Treasurer. Once per quarter, the report will go to the Board of Directors for review.

Roles and Responsibilities

Responsibilities and Qualifications

The roles for the members of the [Appropriate Committee of the] Board of Directors and senior management in relation to risk control of derivatives are described below.

The [Appropriate Committee of the] Board of Directors approves:

- The types of derivative contracts that may be used by the Company to hedge FX risk
- The use of any derivatives for purposes other than FX risk protection
- The guidelines for determining use of uncleared derivatives that would otherwise be subject to the mandatory clearing requirement under section 2(h)(1) of the Commodity Exchange Act

The [Appropriate Committee of the] Board of Directors delegates the following responsibilities to [Senior Management / Treasury / Authorized Representatives]:

- Identifying specific risks and hedging objectives
- Establishing trading limits and segregation of duties
- Executing the hedging transactions
- Reviewing memoranda necessary to document hedges for reporting purposes
- Monitoring the fair values of the derivatives in the hedging portfolio
- Monitoring the Company's potential FX risk exposure to ensure that it remains within limits approved by [the Company's Board of Directors, or Appropriate Committee]
- Reviewing the effectiveness of each hedge during the entire period of time the hedge contract is in effect
- Keeping the other members of the Company's Executive Committee informed as to all the above activities
- Determining on a trade-by-trade basis the use of the End-User Exception to mandatory clearing

Corporate treasury will:

- Report results of foreign exchange activity to the Foreign Exchange Committee (FXC) at least quarterly, based on gain/loss thresholds
- Provide mark to market (MTM) information to the FXC and the accounting function monthly, within three days of the business month end
- Provide information on realized gains and losses to the FXC and the accounting function within three days of the business month end
- Run a MTM report of outstanding derivatives weekly. If any MTM report shows a change in unrealized losses of greater than [$xxx,xxx], then this report will be sent to the FXC within one day of the MTM report being run
- Send all trade confirmations directly to the assistant treasurer from the financial institution of the foreign exchange contract
- Provide all contract-related information to the accounting function within three days of the business month's end

Application of Hedge Accounting

If any derivatives will be designated for hedge accounting treatment, appropriate definitions and procedures should be included in policy. Hedge accounting treatment will require additional documentation and disclosures outside of this policy, which should be reviewed by auditors.

The Company has adopted ASC 815 (formerly FAS 133) (as amended and interpreted), the accounting standard governing derivatives that must be adopted by all public companies and other companies that issue financial reports prepared in accordance with generally accepted accounting principles in the United States. Only certain qualifying hedges can qualify for the specialized accounting under ASC 815, which is typically desirable compared to the Mark-to-Market consequences of not designating a derivative as a hedging instrument under ASC 815. [Detailed procedures and controls supporting the application of hedge accounting are outlined in the attached Appendix __].

- [The Company records all derivatives on the balance sheet at the current Mark-to-Market value unless hedge accounting is applied.]
- [The Company will hedge exposures to the variability in the U.S. dollar equivalent of anticipated foreign exchange cash flows. These exposures arise from forecasted revenue and expenses that are denominated in non-U.S. dollars. For derivatives instruments that are designated as cash flow hedges, the after-tax gain or loss from the effective portion of the instrument is reported as a component of “Accumulated Other Comprehensive Income (Loss)” in stockholders’ equity, and is reclassified into earnings in the same period or periods in which the hedged item is recognized in earnings.]
- [The Company may hedge net investments in certain foreign subsidiaries whose functional currency is the local currency. For derivative instruments that are designated as net investment hedges, the Company records the effective portion of the gain or loss on the derivative instrument together with the changes in the hedged items in “Cumulative Translation Adjustment” as a separate component of stockholders’ equity.]