Accounting Standards Board
Aldwych House
71-91 Aldwych
London WC2B 4HN

July 11, 2008

Dear Sir,

ASB PN 320 : The Financial Reporting of Pensions

AstraZeneca appreciates the opportunity to comment on ASB PN 320 : The Financial Reporting of Pensions (hereafter referred to as the 'discussion paper'). Appendix A contains our detailed answers to the specific questions in the discussion paper.

While we agree with many of the discussions, we draw your attention, in particular, to our answers to questions 6 and 11. We do not agree with the proposal to discount at the risk free rate as we believe this gives a disingenious time valued calculation of liabilities leading, potentially, to uneconomic decisions by the management of the employing entity. We also disagree with the proposal that financial performance of an entity should reflect the actual return on assets, rather than the expected return as we believe that the added volatility to the performance statement provides no additional benefit to users of financial statements.

If you have any comments regarding our questions please contact Andy Chard at 01625 517279

Yours sincerley,

Simon Lowth
Chief Financial Officer

APPENDIX A - RESPONSES TO THE SPECIFIC QUESTIONS RAISED

Q1 Should a liability to pay benefits that is recognised be based on expectations of employees' pensionable salaries when they leave service, or on current salaries (including non-discretionary increases)?

We believe that the liability should be based on the amount that can be best estimated whilst taking into account the risks, uncertainties and experience surrounding the estimate. We believe that in practice current salaries are not the best estimate of pensionable salaries, as salary adjustments are made frequently and exclusion of an estimate in respect of these adjustments would in our opinion be misleading. We also believe that matching benefits to period of service (rather than recognition only when they have vested)is a better presentation of how these benefits are earned.

Q2 Should financial reporting be based on the premise that a liability is owed to an individual employee or to the workforce as a whole? What consequences do you consider your view has for the recognition and measurement of pension obligations?

We recognise that whilst the liability is owed to the individual, we believe that the majority of users of financial reports interpret the obligation as being owed by the entity to the workforce as a whole. We believe that reporting based on measuring the pension obligation to an individual may produce an unnecessary burden on the preparers of financial information with little real benefit to the users of accounts (particularly as the labour markets face increasing mobility from the labour force). There is also a risk that this may produce more volatility and a lack of clarity in the financial statements than reporting on a net workforce basis. We therefore believe that the reporting of liabilities should be based on the liability that is owed to the workforce rather than the individual.

Q3 Do you agree that recognition should be based on the principle of reflecting only present obligations as liabilities?

We believe that total benefits should be matched to estimated period of service (rather than recognition only when they have vested). This reflects the fact that while benefits may only be owed once conditions have vested, from the entities perspective benefits accrue over the total service life. This presentation avoids a lumpier presentation of benefits that would be caused by reflecting benefits only as they vest and provide an estimate through the income statement for true cost and return from an additional year of employee service.

Q4 Do you agree that the consolidation of pension plans should be subject to the same principles as are usually applied in determining whether consolidation is appropriate?

We believe that the relationship between employing entities and pension plans should be the critical factor in determining whether an entity records amounts in respect of pension plans in its own financial reports. However, we believe that for single employer plans the net obligation (or *asset) should be recognised in the financial statements of the employing entity. We do not believe that a move toward gross reporting of pension plan assets and liabilities would benefit users of financial statements. We believe that users of accounts are principally interested in the net position of the entity to the pension plan and that applying general consolidation principles ignores the fact that assets in a pension plan are ring fenced(separable from other assets) to meet obligations.*

Q5 Do you agree that changes in assets and liabilities relating to pension plans should be recognised immediately, rather than deferred and recognised over a number of accounting periods or left unrecognised provided they are within certain limits (a 'corridor') approach?

We agree. We believe that immediate recognition would lead to better clarity for reporting, providing users with more readily understandable and hence measurable information regarding entity positions at the reporting dates. We also believe that by adopting a deferred approach, the net obligation or asset recognised on the balance sheet is misleading.

Q6 Do you agree with the paper's views in the measurement of liabilities to pay benefits? In particular, do you agree that:

Regulatory measures should not replace measures derived from general accounting principles?

We agree. A move away from amounts derived from general accounting principles adds complexity for users and inconsistency from preparers.

- The discount rate should reflect the time value of money only, and therefore should be a risk-free rate?

We disagree that the discount rate should be a risk free rate. The current standard prescribes that the discount rate should be based on high quality corporate bonds and we believe that this method should be maintained. We believe that discounting at a risk free discount rate would misrepresent the obligation and could potentially drive uneconomic decisions by management. An entity choosing to allocate assets to cover an obligation today, in a prudent, non-speculative way would choose a secure asset class offering a superior return to the risk free rate and we believe that this is fairly represented by the current standard directing the use of high quality corporate bond yields to determine the discount rate.. We therefore believe that adopting a risk free rate for discounting divorces the accounting from the economic reality and actual investment practise.

- Information about the riskiness of a liability (i.e. the risk that the amount of pension benefits will differ from today's expectations) is best conveyed by disclosure rather than by adjusting the amount of the reported liability?

We agree that where risk is difficult to measure (due to the severe unpredictability of the item or a lack of market or experience data) it is best suited to disclosure rather than an adjustment to the calculation of the reported liability. Including a premium for such risk may expose the financial *reporting to volatility.*

- The liability should not be reduced to reflect its credit risk?

We refer to our answer above.

- Expenses of administering the plan's accrued benefits should be reflected in the liability?

We agree.

Q7 Where employees have options to receive benefits in different ways, should the liability be reported at the highest amount or at an amount that reflects the probability of different outcomes?

Since the "highest amount"is not necessarily the best estimate of the future outcome, we believe that the asset should be measured at the fair value of the expected level of benefits. This would necessarily be probability adjusted to reflect the likelihood of a range of different outcomes.

Q8 Do you agree that assets held to pay benefits should be reported at current values?

We agree that assets held to pay benefits should be reported at current values adopting a generally accepted valuation methodology where a lack of fair value market data exists.

Q9 Do you agree that a 'net' asset or liability should be based on the difference between the amounts at which the assets and liabilities would be measured if they were measured directly?

We agree that where an entity indirectly has an obligation to pay or a right to reimbursement then measurement of the net asset or liability should be performed on the same basis if they were measured directly.

Q10 Do you agree that different components of changes in liabilities and/or assets should be presented separately?

We agree. The separate components driving asset and liability movement are different in nature from each other and require separate disclosure in the financial statements in order to provide users with sufficient information so that they can identify factors indicative of managements performance. Hence they can make more informed predictive decisions about the ability of the entity to manage those drivers.

However we refer to our answer to Q11 in respect of the proposed treatment for Actual Return on Assets.

Q11 Do you agree that the financial performance of an entity should reflect the actual return on

assets, rather than the expected return, and that the expected return should be required to be disclosed?

We disagree. We believe that the introduction of full asset returns through the performance statement would introduce items prone to substantial volatility beyond management's control. Non-cash, unrealised gains and losses on long-term financial assets held to match pension liabilities are more appropriately acknowledged by adjustments to reserves, not the performance statement. We believe that users would not find this indicative of managements performance and would not assist in helping users predict the ability of management to mitigate future risks. We believe that users would strip out these shocks to get to underlying performance. We believe that the actual return should be disclosed through additional information in financial reports.

Q12 Do you agree with the objectives of disclosure that are identified in this Chapter? Are there specific disclosure requirements that should be added to or deleted from those proposed?

We agree with the objectives.

Q13 Do you agree that multi-employer plans should be reflected in an employer's financial statements using the same principles as those that apply to a single employer plan? How, in your view, should an accounting standard require that this be implemented in practice?

We believe that employer's obligations in respect of multi-employer plans should follow the same principles as those that apply to a single employer plan. That is, the entity provides on balance sheet for its share of the net obligation or asset. Risks and returns to the sharing entities should be considered when determining the entities share of the total obligation or asset.

Q14 Do you agree that a pension plan's general purpose financial report should include its liabilities to pay benefits in the future? Do you agree that the plan's liabilities for future benefits should be quantified using the same principles as an employer's liability?

We agree that a plan's liabilities for future benefits should be quantified using the same principles as an employer's liability

Q15 Do you agree that a pension plan's statement of financial position should reflect an asset in respect of amounts potentially receivable under an employer's covenant, and that this should reflect the employer's credit risk?

We believe that amounts potentially receivable under an employer's covenant should not be reflected as assets. We believe that inclusion of such assets would provide no additional benefit and that the inclusion of such assets does not reflect the economic reality that no asset has passed between the employing company and the pension plan. We believe that an asset should only be included once it has passed from the employing entity to the pension plan.

Q16 Are there types of pension arrangements that require further consideration? Please identify the

specific features of these arrangements and suggest how the principles of this paper would require development to secure appropriate financial reporting for them.

No comment.

Q17 Are there further specific issues relating to the cost and benefit of the proposals that should be taken account of in their further development?

We have incorporated our answers into the questions above.