



International Accounting Standards
Board (IASB)
30 Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

17 April 2026

Dear Member of the Board,

Re: ED Amendments to the Fair Value Option for Investments in Associates and Joint Ventures – Proposed amendments to IAS 28

BusinessEurope welcomes the opportunity to comment on the IASB's Exposure Draft on amendments to the fair value option for investments in associates and joint ventures.

While we acknowledge and support the Board's objective of enhancing the understandability and consistency of IAS 28, we have substantial concerns regarding the proposed restrictions on the availability of the fair value option and, more fundamentally, regarding the conceptual underpinnings of the equity method itself.

In our view, this highlights the ongoing need to clarify the core question of whether the equity method is intended to operate as a valuation technique or as a form of simplified consolidation.

Our detailed comments and our proposal for a short-term solution are set out in the appendix to this letter. We would be pleased to discuss any of the points raised and are available for further dialogue.

Yours sincerely,

Erik Berggren
Senior Adviser



Appendix

Question 1—Proposed amendments to paragraphs 18–19 of IAS 28

Paragraphs 18–19 of IAS 28 permit an entity to elect to measure an investment in an associate or a joint venture at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* if the investment is held by a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

The IASB is proposing to amend paragraphs 18–19 of IAS 28 to clarify that similar entities include those that have a main business activity of investing in particular types of assets (as set out in paragraph 49(a) of IFRS 18).

Paragraphs BC1–BC19 of the Basis for Conclusions explain the IASB’s rationale for this proposal. In particular, paragraphs BC9–BC13 explain why the IASB decided not to propose extending the fair value option to all entities.

Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.

Question 2—Effective date and transition

The IASB proposes that an entity apply the amendments to paragraphs 18–19 of IAS 28 at the same time and on the same basis as it applies IFRS 18.

Paragraphs BC20–BC21 of the Basis for Conclusions explain the IASB’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.

1. Availability of the Fair Value Option for “At-Equity Investments”

We firmly believe that the option to measure investments accounted for using the equity method at fair value should be accessible to all reporting entities, rather than being restricted to specific categories of entities or narrowly defined investment-type structures.

Limiting the fair value option to certain entity types:

- introduces artificial distinctions between investors, even though the underlying economic asset—an interest in an associate or joint venture—is identical in nature;



- undermines comparability both between entities and over time, as economically similar investments may be reported using different measurement bases solely due to the classification of the investor;
- fails to reflect the diversity of business models observed in practice, particularly for industrial and technology groups that hold strategically important minority interests which are actively managed, restructured or partially realized;
- runs counter to the broader direction of IFRS toward the increased use of fair value information, as evidenced in IFRS 9 and IFRS 13.

For these reasons, we strongly encourage the IASB to permit the use of the fair value option for all entities, irrespective of whether they qualify as investment entities or fall within another specified category. Such an approach would also help avoid the significant costs and operational burden associated with preparing and maintaining shadow purchase price allocations.

In this respect, we share the view expressed by IASB members Mr Gast, Mr Mackenzie and Mr Uhl, who noted that there is no conceptual basis for restricting the fair value option to particular types of entities (Alternative View AV4 in the Exposure Draft).

Where the fair value option is elected, at-equity investments should be classified in accordance with the general principle in IFRS 9.4.1.1, i.e. measured either at fair value through profit or loss or at fair value through other comprehensive income. This classification appropriately reflects both the entity's business model for managing the investment and the characteristics of the related cash flows.

2. Clarifying the Conceptual Nature of the Equity Method

A key conceptual issue remains unresolved in IAS 28: the standard does not clearly state whether the equity method is intended to represent a valuation approach or a form of one-line consolidation. This lack of clarity has far-reaching implications for many areas of application, including:

- initial measurement;
- the accounting for transaction-related gains and losses;
- partial disposals and dilutions;
- step acquisitions.

We are concerned that the Board is proposing targeted amendments to IAS 28 without first establishing a clear conceptual foundation for the equity method. This risks further increasing the complexity of an already challenging standard while leaving the underlying inconsistency unresolved.

A clear conceptual determination is essential:

- If the equity method is viewed as a valuation method, the measurement principles should be more closely aligned with fair value concepts, and restrictions on the use of fair value measurement become difficult to justify.



- If, instead, the equity method is regarded as a form of one-line consolidation, it should be applied consistently with the principles of IFRS 10, including a reconsideration of partial eliminations and the treatment of intragroup profits.

At present, IAS 28 occupies an uneasy position between these two approaches. This unresolved dual character results in conceptual tensions and inconsistent outcomes, as the equity method is implicitly expected to serve both purposes at the same time.

A more coherent solution would be to explicitly acknowledge this tension and align the accounting treatment with management's perspective on the nature of the investment. For long-term, strategically significant investments, the equity method effectively functions as a consolidation proxy, and information about the investee's performance is most relevant. Conversely, where an at-equity investment is, in substance, similar to a financial instrument, fair value measurement provides more decision-useful information and avoids artificial constructs such as shadow purchase price allocations.

Making this distinction explicit would enhance conceptual clarity, improve the relevance of reported information and reduce internal inconsistencies within IAS 28.

3. Need for a Holistic Review of IAS 28

The current project appears to focus on addressing individual application issues in isolation. Although these issues are important, we believe that this narrow approach is insufficient. Many stakeholders have long acknowledged the need for a comprehensive reconsideration of IAS 28.

We therefore consider a broader standard-setting project to be necessary in order to modernize IAS 28, reduce complexity and address the diversity in its application in a more fundamental way.

4. Short-term solution

While we acknowledge the efforts from the IASB to resolve the issues of diversity in the short run, we would like to note that the solution has unintended consequences in terms of limiting current practices, which is violating the principle in BC9 b) "any proposed amendments to the fair value option should: ...(b) not affect entities that already use the fair value option in IAS 28".

Hence, we suggest that the amendment

- does not restrict the interpretation of "similar entities" to "those that have a main business activity of investing in particular types of assets (see paragraph 49(a) of IFRS 18)", but clearly acknowledges that this is a subset of the activities in scope



- explains how to apply IAS 28 for the insurance sector without changing other elements of IAS 28 as this would be the most narrow solution
- considers whether investments in listed entities more generally can make use of the fair value option as a temporary, short-term solution.