
IFRS Foundation Trustees—Due Process Oversight Committee

Date **24 July 2025**

This document reports on a meeting of the Trustees of the IFRS Foundation, the oversight body of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). The Trustees are responsible for governance of the IFRS Foundation (the Foundation) and for delivery of the Foundation's objectives as set out in the *Constitution*.

Introduction

The IFRS Foundation Due Process Oversight Committee (DPOC) [met virtually on 24 July 2025](#). The meeting was webcast live and a recording of the meeting is available on the IFRS Foundation website.

Correspondence to the DPOC relating to the IASB's project on Rate-regulated Activities

The Chair welcomed everyone to the meeting, explaining the purpose of the meeting was to consider a [letter received on 3 June 2025 from the UKEB](#). The letter expresses concern that the IASB's decision not to re-expose proposals for its prospective *Regulatory Assets and Regulatory Liabilities* Standard does not fully meet the requirements of the *Due Process Handbook*. The DPOC would assess whether the IASB had followed the due process requirements in deciding not to re-expose the Standard. The DPOC also received a [letter on 23 July 2025 from the UK Government](#) expressing concerns about the effect of the prospective Standard on 'critical sectors [in the UK], and their competitiveness to international investors'. The letter requested the DPOC to direct the IASB to re-expose the Standard.

The Chair explained that subject to the outcome of this agenda item, the DPOC would then move to the lifecycle review of the Standard to consider whether all due process steps had been followed in the development of the Standard and that its review of due process on the Standard is now complete. The DPOC had deferred completing this discussion from its meeting on 4 June to allow it to fully consider the letter from the UKEB.

The Chair invited the Governance and Trustee Activities Director to introduce the first paper explaining the process and the role of the DPOC in considering the letter from the UKEB. The Director explained that the DPOC is handling the UKEB letter under the protocol set out in section 9 of the *Due Process Handbook*. Accordingly, he had asked the IASB technical staff to prepare a paper in response to the UKEB's letter.

The Governance and Trustee Activities Director said the question for the DPOC to consider was whether it is satisfied that the IASB appropriately considered the need to re-expose the prospective Standard. He highlighted that under the Foundation's due process; re-exposure is not automatically triggered by the IASB making changes when redeliberating an exposure draft. Instead, the key questions the IASB had needed to consider were set out in paragraph 6.26 of the *Handbook*:

- is the IASB is satisfied that the revised proposals respond to the feedback received; and
- is the IASB satisfied it is unlikely that re-exposure would reveal any new concerns.

The Chair then asked the IASB Technical Director to introduce the technical staff's paper. She provided further background on the concerns expressed by the UKEB and why it is of the view that the IASB's decision not to re-expose does not fully meet the requirements of the *Due Process Handbook*. In particular, the UKEB notes that the direct (no direct) relationship concept was developed after the consultation on the 2021

Exposure Draft and therefore considers stakeholders have not had the opportunity to comment on the changes introduced by the new concept.

The Technical Director explained that in assessing whether to re-expose the prospective Standard, the IASB explicitly considered whether, because of introducing of the direct (no direct) relationship concept, there is a need to re-expose. The IASB had acknowledged that the concept was introduced during redeliberations and represents a change to the proposals in the Exposure Draft. However, the concept was introduced in direct response to feedback from many respondents to the Exposure Draft, including many respondents from the UK. According to these respondents the proposals in the Exposure Draft relating to the recognition of certain regulatory assets and regulatory liabilities related to an entity's regulatory capital base would not result in useful information for investors.

In developing the direct (no direct) relationship concept, the IASB undertook significant additional work, including extensive outreach with stakeholders. That additional work included:

- several meetings with the IASB's Consultative Group for Rate Regulation;
- obtaining feedback from the Accounting Standards Advisory Forum (ASAF). The UKEB raised concerns about the concept at these meetings;
- meetings with preparers, regulators and users, including many stakeholders from the UK;
- a survey of preparers which resulted in responses from 39 respondents in 16 jurisdictions;
- several meetings with staff from the UKEB.

As a result, the IASB had concluded that the direct (no direct) relationship concept responds to the feedback on the Exposure Draft and that re-exposure would be unlikely to reveal any new information or concerns. Accordingly, in line with paragraph 6.26 of the *Due Process Handbook*, the IASB had unanimously decided that re-exposure is not required. The IASB also noted that re-exposing all or part of the prospective Standard for another round of public comments would result in a significant delay to the improvements in financial reporting that the prospective Standard is expected to bring. Such a delay would not respond to feedback from some stakeholders who would like the IASB to issue the Standard as soon as possible.

In response to DPOC members' queries the IASB Technical Director and IASB leadership confirmed that:

- the IASB had discussed the UKEB's concerns at a public Board meeting in October 2023 and the UKEB had also raised these concerns publicly at several ASAF meetings.
- after extensive consultation with stakeholders in developing the direct (no direct) relationship concept, the feedback received had led the IASB to conclude that re-exposure would not result in new concerns being highlighted.
- the IASB staff would continue to engage stakeholders to explain the objective of the Standard and to stand ready to address potential implementation questions arising from the application of the Standard.

In light of the information provided, the DPOC was satisfied that the IASB had appropriately considered the need to expose revised proposals and concluded that re-exposure would be unlikely to reveal new concerns. It was therefore satisfied that the IASB had met the required due process requirements. The DPOC emphasised the importance of every effort being made to clarify the objective of the prospective Standard. It also asked the IASB to continue engaging with the UKEB about its concerns and to support companies in the UK as much as possible during the implementation of the prospective Standard. The IASB representatives confirmed that they would continue their engagement with the UKEB and that there would be a significant effort on communication and implementation support on issuing the Standard, as with all major new Standards. The DPOC Chair has responded by letter to the UKEB and the two UK government departments, and the response has been [published on the IFRS Foundation website](#).

Due process lifecycle review of the development of the *Regulatory Assets and Regulatory Liabilities Accounting Standard*

The Chair said that based on the outcome of the previous item, the DPOC would now consider the lifecycle review of the *Regulatory Assets and Regulatory Liabilities Accounting Standard* which had been deferred from its meeting on 4 June 2025.

The IASB staff explained the purpose of the paper was to seek confirmation from the DPOC that all necessary due process steps completed for the IASB's Rate-regulated Activities project. The paper highlights that the prospective Standard was developed with extensive consultation, such as:

- 128 comment letters the IASB received on the Exposure Draft published in 2021;
- two rounds of fieldwork (conducted through surveys), the first on the direct (no direct) relationship concept, and the second on the likely effects of the Standard; and
- 40 meetings conducted with IASB bodies and consultative groups and 200 outreach meetings with interested parties.

In July 2024 the IASB confirmed that it was satisfied that the due process requirements had been met in developing the Standard and gave its permission to begin the balloting process.

In response to a DPOC member question it was relayed that staff are developing plans for future activities to support implementation and consistent application of the prospective Standard. These activities would be supported at both a board and staff level.

The Chair noted that page 9 of staff paper DP3 states that three IASB members indicated that they may possibly dissent to the publication of the Standard. The Chair asked whether the concerns of these IASB members are linked to concerns raised by the UKEB. IASB staff relayed that members concerns were different to the those of the UKEB. IASB members have since had the opportunity to review the wording of the prospective Standard and the staff believe that it is now unlikely that these IASB members will dissent.

The DPOC confirmed that all the necessary due process steps have been followed and its review of due process on the rate-regulated activities project is now complete.

Meeting close

The DPOC Chair thanked all for their participation and closed the meeting.