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I sent an open letter to Sir Win Bischoff, Chair of the Financial Reporting Council on 22 September. [That letter might be found here.](#)

Sir Win has now replied, as follows:

I replied this morning, saying:

*Dear Sir Win,*

*Thank for your letter of 3 October.*

*I note that you have not answered the questions I raised in my letter of 22 September, which for the record were as follows:*

- \* Why has the FRC not engaged on country-by-country reporting (CBCR)?*
  - \* When will the FRC engage on CBCR?*
  - \* How will the FRC engage on this issue when it does so?*
  - \* Given that this issue has gained prominence from within civil society how will representatives from civil society with expertise in this area be integrated into the FRC's processes when considering this issue?*
  - \* More broadly, when will the FRC revise its stated understanding of the primary users of financial statements to include all stakeholders?*
  - \* When will the FRC begin a programme of reform to reporting standards so that these will really meet stakeholder needs, whether with regard to concerns on taxation or other issues such as pay, gender issues and the environment?*
- Might I repeat my request, made in that letter, that you do now answer these questions?*

*Having read your letter other issues have arisen. I note, for example, that you say:*

*There are two key issues that you raise: the information needs of a broader group of shareholders and the FRC's approach to country-by-country reporting for tax.*

*This is not correct. I said in my letter that:*

*My reason for writing is to instead point out that if your concern is for the supply of relevant and reliable information to stakeholders on which they can rely to provide a real indication of the impact of the company with which they are dealing on their own matter of concern then nothing could be more important than the publication of CBCR data in a standardised format for all to use.*

*I justified this concern saying:*

*The OECD has adopted [country-by-country reporting] because it will help tax authorities appraise risk. The EU parliament wishes that it be adopted so that risk can be appraised on a broader range of concerns.*

*In the process I made it quite clear that I was not writing about ‘the FRC’s approach to country-by-country reporting **for tax**’ (my emphasis added): I was asking why the FRC had not engaged with country-by-country reporting when it is now very clear that investors and stakeholders believe it provides them with valuable information not just for tax risk assessment purposes but also on the risk inherent in a reporting entity’s investment returns, geo-political risk, supply chain risk, labour force risk, market risk, governance, and engagement with the societies that grant its licence to operate. As such it is inappropriate to suggest that this is only a tax issue as your reply implies: that is quite clearly not true any more and was not the issue I was writing about. I should be grateful if you would bear this in mind when replying or we will be talking at cross-purposes.*

***I also note that you suggest in your letter that:***

***The main focus of the FRC’s corporate reporting work is in the Annual Report.***

***You then note that this does not necessarily restrict your work because the Strategic Report has broad scope. However you go on to say:***

***The regulation underpinning the disclosure requirements for country-by-country reporting fall outside the Annual Report.***

***I presume that your implication is that this means country-by-country reporting does not fall within your remit. This, however, might only be true if consideration of the regulation regarding its disclosure for tax is considered, as you have chosen to suggest. If this is instead considered to be an issue for investors and stakeholders for the reasons I note above then it is, of course, very obvious that country-by-country reporting must be an issue that is wholly within the scope of the Annual Report.***

***After all, unlike information on, say environmental reporting (to which you refer in the letter), country-by-country reporting information is data drawn almost entirely from the general ledgers of the reporting entities and relates***

***to their financial performance in a way that is, without doubt, of interest to those who provide capital to the organisation, let alone other stakeholders. In other words, whether this information is referred to in the Annual Report or not is a matter of choice. That it might have originally been generated for tax purposes is irrelevant in this context. It is, in fact, very hard to argue that country-by-country reporting is anything much more than a development of segment data supplied on a specific geographic basis and therefore not much more than a variation on IFRS 8 and so quite clearly within the scope of the Annual Report. In that case country-by-country reporting would seem to very obviously be within the remit of the FRC. The questions I am raising are set within that context.***

***In that case I do not think it possible for you to argue, as it appears you do, that country-by-country reporting is outside the remit of the FRC. For that reason I continue to think that the questions in my letter of 22 September remain appropriate and as such request a reply to those questions now before accepting your invitation to meet, which I will be happy to do when the issues we need to discuss have been properly established.***

***Yours sincerely***

***Richard Murphy***

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